
**Internal Controls And It's Effect On The Performance Of Local Government. A Case Study Of Mpigi District
Local Government**

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Abstract

This study examined the effects of internal controls on the performance of Local Government. The study was a cross-sectional research design along with a quantitative research approach. A sample of 55 personnel in the study of Mpigi District Local government staff. Data was obtained from two sources namely; Primary data and secondary data. The study shows the relationship that exists between the variables in a study is normally depicted through a conceptual framework. The study intended to get a detailed understanding of the respondent's key characteristics which to a great extent influences the results of the study. The general information had an implication on the study variables, some information on socio-economic characteristics of the respondents was deemed necessary because it provided a basic and means of interpreting the collected data. The study concludes that the study findings to show that the internal controls used in Local Government were effective and satisfactory,, the level of performance was found to be adequate and a significant positive relationship between internal controls and performance was established to exist. The study found the relationship between internal controls on the performance of Mpigi District Local Government. The study found the general information had an implication on the study variables. The study suggests future research, especially; investigating the relationship between organisational culture and organisational commitment in the renewable energy industry with focus on other different cultural dimensions; and longitudinal research examining the relationship between organizational culture, job satisfaction and organisational commitment in renewable energy industry. The management of Local government should promote involvement of all level management in objectives setting of the organization, so as to create excellent internal control system. An efficient internal auditing department should be regarded as a good place to develop employee's careers, because internal auditors can understand the whole operation in organization.

Key words: internal controls and financial performance

Background of the study

Internal control as an individual enterprise system is not as broad as in other areas of management in scientific directions. The definition of internal control was first introduced in 1949 by the American Institute of Certified Public Accountants (AICPA) (Alex & Kazaara, 2023). She defined internal control as a plan and other

coordinated means and ways of the enterprise to keep its assets safe, check the confidentiality and reliability of data, increase its effectiveness and ensure a stable management policy (Polycarp et al., 2023). However, the presented definition of the concept of control has been constantly improved, and today there is a relatively large

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set of concepts that indicate the internal control system as one of the means of management to ensure the security of the company's assets and its regular development (Christopher, Mojžiš et al., 2022). In 1992, her analysis distinguished between the terms risk and internal control. The concept of internal control now includes not only accounting errors and the introduction of means of their prevention, but also a modern approach that could identify areas of management and control processes, as well as motivated development of their detailed analysis (N. Moses et al. ., 2022). At the organizational level, internal control objectives relate to the reliability of reporting, timely feedback on the achievement of operational or strategic objectives, and compliance with laws and regulations. At the level of a specific transaction, internal control refers to the actions taken to achieve a specific objective (eg how to ensure that an organization's payments to third parties are for valid services.) Internal control procedures (Micheal et al., 2023). According to Sawyer (2012). Internal control is the process of ensuring the achievement of an organization's goals of operational efficiency and effectiveness, reliable reporting, and compliance with laws, regulations, and policies (Christopher, Muhindo, et al., 2022). Effective internal control means that the organization produces reliable statements and generally complies with the laws and regulations that apply to it. However, whether an organization achieves its operational and strategic goals may depend on factors outside the business, such as competition or technological innovation. These factors are beyond the scope of internal control; therefore, effective internal

control only provides timely information or feedback on progress in achieving operational and strategic goals, but cannot guarantee their achievement (COSO 2009). Internal control is a dynamic integral process that constantly adapts to the changes that the organization faces (N. Faridah et al., 2023). Management and staff at all levels must be involved in this process to address risks and provide reasonable assurance of achieving the entity's mission and overall objectives. Internal control is not a single event or circumstance, but a series of activities that pervade the activities of an accounting entity. These actions occur continuously during the operations of the accounting unit (Wegulo et al., 2023). They are pervasive and inherent in the way management runs an organization. Internal control therefore differs from the view of some observers, who view it as something additional to the activities of the accounting entity or as a necessary burden. The internal control system is intertwined with the operations of the entity and is most effective when it is built into the infrastructure of the entity and is an integral part of the nature of the organization (Christopher, Moses, et al., 2022).

Internal control should be built in rather than built upon. By incorporating internal control, it becomes a part of planning integrated with basic management processes; implementation and monitoring Built-in internal control also has important implications for cost containment.

All employees should be responsible for reporting operational issues, monitoring and improving their performance, and tracking non-compliance with

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company policies and various professional codes or violations of policies, standards, practices and procedures. Their specific responsibilities should be documented in their individual personnel files (Faith et al., 2023). In performance management activities, they are involved in all compliance and performance data collection and processing activities as they are part of different organizational units and may also be responsible for various compliance and operational

activities of the organization (Faith et al., 2023). Local government management procedures were a very old fashioned manual system and often flawed. The situation of a district often depends on its position and degree. Mpigi Local Government employees and junior managers can participate in the evaluation of controls within their own organizational unit using the Controls Self-Assessment (COSO 2009).

Statement of the problem

Every organization needs strong internal control mechanisms such as authorization of access to assets and accounting records, regular independent verification, system of internal controls (separation of duties) (Zowena et al., 2023), appropriate documents to capture transactions, proper procedures for processing transactions, employment of honest and capable employees. Despite the fact that such control measures have been put in place by the management, finances in Mpigi Local Government continue to be mismanaged (Alex & Kazaara, 2023). This is likely due to weakening of internal controls. E.g. colluding internally or with external employees to circumvent controls, impact of internal controls covering only routine transactions, abuse of controls by those in authority (Musaibah et al., 2023).

The absence of adequate internal control measures exposes the organization's management to certain threats such as: Theft and mismanagement of important organizational documents, which an employee may do to gain an undue advantage (Paul & Kazaara, 2023). And loss of assets of organizations. This therefore prompted the researcher to conduct a study on the effect of internal controls on performance in local government using Mpigi District Local Government as a case study (K. Moses et al., 2023).

Specific objectives

1. To establish the available internal controls in Mpigi local government
2. To find out the relationship between internal control and performance of local government.
3. To find out the factor that determines the performance in Mpigi district local government

Methodology

Case-study research design was used. A case study is an inquiry into an event by either an individual or an organization. It is produced through systematic research, analysis and reporting, the methods were both quantitative and qualitative in nature. The study was conducted on a team of 55 personnel in the study area of Mpigi district local government staff. These will be from different departments of the district such as accounts and finance departments, auditing departments, among others. And a sample of (48) which purposively selected from (55) team of

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respondents. Various features of this sample was estimated to achieve good representation of the population under the study. The study used a random and purposive sampling method. A random technique was used because of its advantages like minimization of biases results. Purposive sapling was used in order to help locate the respondents with the relevant information that the researcher needed in the study. The study used a total sample of 48 respondents. Drawn from the use of Slovene's Formula representing a population of 55 of Mpigi district Local Government and categorized as follows; A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. This technique helped to collect primary data through a number of questions, which give to a cross section of respondents. The questions were open ended and closed ended questions with the questionnaire mainly based on predetermined and standardized questions. They focused on the effects of internal control system and performance. Self-administered questionnaires were used by the researcher because they are cheap to distribute and process. They are more flexible and help to save time. This method was employed to find information necessary information from the group more quickly just to allow individual self-expression. The expert such as senior staffs of the finance and internal audit department were researched for interview. Data processing included coding and editing all the responses collected from the field which was edited with the view of checking for completeness and accuracy to ensure that data is accurate and consistent. It also helped to remove unwanted responses which would be considered insignificant. Coding was done after editing which was done manually and by the use of computer through word processing and Excel. The data was presented in tabular form, with frequencies and percentages for classifications of responses, easier analysis and visual impression. The researcher used Statistical Package for Social Sciences (SPSS) to analyze after collecting Data from the study area, the variables under study and the result was presented in tables for easy interpretation. Data was manually entered in a Statistical Package for Scientific Software (SPSS) and Excel. Analysis was carried out by use of frequencies and percentage (Nelson et al., 2022).

Results

Table 1: showing available internal controls in local government

Options	SA		A		NS		D		SD		Total
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
The institution has an internal audit department	5	10	43	90	-	-	-	-	-	-	48(100%)

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Internal auditor's report address weakness in internal control system	22	46	18	37	8	17	-	-	-	-	48(100%)
It is impossible for on staff to have access to all information without the consent of senior staff.	35	73	13	27	-	-	-	-	-	-	48(100%)
The petty cashier	40	83	5	10	3	7	-	-	-	-	48(100%)

is different from the main cashier											
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Source; Primary Data

From table 1 10% of the total respondents strongly agreed that the local government has an internal audit department, 90% of the total respondents agreed and this implies that the institution carries out auditing on its activities and follows internal control system (N. Faridah et al., 2023). According to 1 findings show that 46% of the total respondents strongly agreed that internal auditor's report address weakness in internal control system, 37% of the total respondents agreed that internal auditor's report address weakness in internal control system, 17% of the respondents were not sure of whether internal auditor's report address weakness in internal control system (Wegulo et al., 2023). From table 1 findings revealed that 73% of the total respondents strongly agreed that it is impossible for on staff to have access to all information without the consent of senior staff, 27% of the total respondents agreed that it is impossible for on staff to have access to all information without the consent of senior staff (Victoria et al., 2023). Lastly from table 1 results show that 83% of the total respondents strongly agreed that The petty cashier is

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different from the main cashier, 10% of the total respondents strongly agreed that the petty cashier is different from the main cashier, 7% of the total respondents were not sure of whether the petty cashier is different from the main cashier

Findings on the effectiveness of internal controls on the performance of LG

Table 2: showing effectiveness of internal controls on the performance of LG

Options	SA		A		NS		D		SD		Total
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
There is evaluation and discussion of the performance annually by management	20	42	18	38	5	10	-	-	5	10	48(100%)
The organization is now in a better position to serve clients more efficiently and effectively	30	62	15	31	3	7	-	-	-	-	48(100%)
There are adequate policies to ensure effective collection and follow ups of due accounts	38	79	10	21	-	-	-	-	-	-	48(100%)
Cost of service has been reducing dramatically for the past two years.	20	42	20	42	8	17	-	-	-	-	48(100%)

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The LDG is able to build Citizen satisfaction through its services	40	83	5	10	3	7	-	-	-	-	48(100%)
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Source; *Primary Data*

From table 2, findings show that 38% of the total respondents strongly agreed that there is evaluation and discussion of the performance annually by management, 42% of the respondents agreed that there is evaluation and discussion of the performance annually by management, 10% of the respondents that participated in the study were not sure and, 10% of the total respondents strongly disagreed that there is evaluation and discussion of the performance annually by management (K. Faridah et al., 2023). Basing on the findings from table 2 shows that 62% of the total respondents strongly agreed that the organization is now in a better position to serve clients more efficiently and effectively, 31 of the respondents participated in the study agreed that the organization is now in a better position to serve clients more efficiently and effectively, 7% of the total respondents were not sure of whether the organization is now in a better position to serve clients more efficiently and effectively (Musaibah et al., 2023). From table 2 results shows that 79% of the total respondents that participated in the study strongly agreed that there are adequate policies to ensure effective collection and follow ups of due accounts, 21% of the total respondents agreed that there are adequate policies to ensure effective collection and follow ups of due accounts. Basing on the findings in the table 2 results show that 42% of the total respondents that participated in the study strongly agreed that Cost of service has been reducing dramatically for the past two years, 42% of the total respondents agreed that Cost of service has been reducing dramatically for the past two years, 17% of the participants of the study were not sure of whether Cost of service has been reducing dramatically for the past two years (Faith et al., 2023). Lastly from table 2 findings show that 84% of the total respondents strongly agreed that the organization is able to build Citizen satisfaction through its services, 10% of the total respondents agreed that the LDG is able to build Citizen satisfaction through its services, 7% of the total respondents were not sure of whether the LDG is able to build Citizen satisfaction through its services

Findings on the relationship between internal controls on the performance of Mpigi district local government.

Findings on the understanding of the term internal control system

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Table 3: showing the understanding of the term of internal control system

Response	Frequency	Percentage (%)
Yes	48	100
No	-	-
Total	48	100

Source: primary data

According to table 3 findings shows that 100% of the total respondents were in agreement and were able to understand the term internal controls system in an organisation. This implies that findings can be relied on since all of them were well versed with the concept under investigation.

Findings on the whether Mpigi district local government employ internal control systems in managing its activities.

Table 4: Showing whether Mpigi district Local Government employ internal control systems in managing its activities.

Response	Frequency	Percentage (%)
Yes	45	93
No	3	7
Total	48	100

Source: primary data

From table 4, findings indicate that 93% of the total respondents accepted that Mpigi district Local Government employ internal control systems in managing its activities, and 7% of the respondents never accepted that Mpigi district Local Government employ internal control systems in managing its activities (Nelson & Christopher, 2022).

Findings on whether there is a relationship between internal control systems on the performance of local government.

Table 5 showing whether there is a relationship between internal control systems on the performance of local government

Response	Frequency	Percentage (%)
Yes	40	82
No	3	7
Not sure	5	11

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Total	48	100
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Source: primary data

From the data presented in table 5 indicate that 82% of the respondents accepted that there is a relationship between internal control systems on the performance of local government, 7% of the respondents never accepted that there is a relationship between internal control systems on the performance of local government, and 11% of the respondents were not sure.

Findings on the type of relationship between internal controls have on the performance of the local government

Table 6: Showing the types of relationship between internal controls have on the performance of the local government

Response	Frequency	Percentage (%)
Positive	40	100
Negative	-	-
Total	48	100

Source: primary data

From table 6 results indicate that 100% of the total respondents accepted that there is a positive relationship between the internal controls has on the performance of the local government (T. Moses, 2023).

Conclusion

There is strength positive relationship between internal control systems and performance of Local Governments, From the study findings, it is concluded that; the study findings to show that the internal controls used in local government were effective and satisfactory, the level of performance was found to be adequate and a significant positive relationship between internal controls and performance was established to exist. Therefore, in conclusion, it will be said that the management of any organization cannot do without internal control as true and fair presentation of financial statement may never be possible if the board and senior management are not committed to providing a well-planned internal control system,

Recommendation

The internal control system should be remolded and strengthened to position the staff in carrying out their duties efficiently and effectively and at the same time evaluated periodically to strengthen its weaknesses in the organization. And also have made tremendous progress in their efforts to achieve institutional development, creating a better understanding of local governance issues and, above all, building trust between them and the local people.

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However, given the strategic importance of Local Governments in addressing local needs, finally, to gather the Government, Local Government should be reviewed periodically so as to cope with modern trends in organizational fraud prevention.

Management should regularly provide timely feedback to rectify any challenges at hand. Employees should be monitored closely to ensure that they do not circumvent certain controls, thereby weakening the established system.

Motivate employee to enable them carry out their duties diligently and honestly without thinking of ways to steal the organization because they are given low reward.

The management of Local government should promote involvement of all level management in objectives setting of the organization, so as to create excellent internal control system. An efficient internal auditing department should be regarded as a good place to develop employee's careers, because internal auditors can understand the whole operation in organization. Management should establish a system of quality control designed to guarantee the management and staff to the local government in accordance with the requirements of the law and the code of conduct and standards of quality control and auditing is important in the office.

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