



**INTERNAL CONTROL SYSTEMS AND FINANCIAL ACCOUNTABILITY
IN LOCAL GOVERNMENTS; A CASE OF
BUTALEJA DISTRICT LOCAL GOVERNMENT,**

BY

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DECLARATION

DECLARATION

I, **Higenyi Musitafa**, declare that this research report is entirely my own work, except where otherwise cited and referenced. All sources used have been acknowledged and properly cited according to academic conventions. This research adheres to the ethical guidelines and standards set forth by Busitema University and relevant regulatory bodies.

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Signature...  Date... 12/01/2024

APPROVAL

APPROVAL

This is to ratify that this Research report by **Higenyi Musitafa** on “**internal control systems and financial accountability in local governments in Uganda: a case of Butaleja district local government**” has been under my supervision and is now submitted for examination with my approval as the University supervisor.

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DEDICATION

This work is dedicated to family of Kawene Sulai and his wife Mwima Safiya whose unwavering support and encouragement have been a constant source of inspiration throughout this research journey. Their belief in my abilities has been instrumental in the completion of this research proposal.

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LIST OF ACRONYMS AND ABBREVIATIONS

BDLG	Butaleja District Local Government
CAO	Chief Administrative Officer
CFO	Chief Financial Officer
GCIC	Government Citizens Interaction Centre
LG	Local Government
LGAs	Local Government Areas
LGRCIS	Local Government Revenue Collection Information.
MDAS	Ministries, Departments and Agencies
NGOs	Non-Governmental Organizations
SPSS	Statistical Package for Social Sciences
UGX	Ugandan shillings

ABSTRACT

The main objective of this study was to investigate the effect of internal control systems on financial accountability in local governments, Uganda. The specific objectives were; to investigate the effect of control environment on financial accountability, to assess the effect of control activities on financial accountability in local governments. However, accountability was still deficient in local governments. The study was carried out in Butaleja DLG in Uganda. Cross sectional research design was used on a population of 140 consisting of several departments at the case study. Purposive was used to select the population to take part in the study. Primary data was collected by use of questionnaires, while secondary data was collected through audited financial statements and it was analyzed by use of statistical package for social sciences (SPSS) where frequency tables, reliability, regression and correlation results were gotten. The findings revealed that there is a positive and significant effect between internal control systems and financial accountability, Results also indicated that BDLG supports the policy of the Government to have audited books to avoid fraud and embezzlement of funds and there are good monitoring strategies at all times to check the internal control systems within the organization. Despite the achievements made by the district, it also faces some challenges such as lack of training opportunities hampering financial accountability. These challenges should be addressed. Recommendations were that BDLG should ensure the effective and strong internal control activities to support ethical values in managing finance, risk assessment should be done to all projects and programmes and the study also recommends that BDLG should monitor continuously the internal control systems of all departments and fight against absenteeism of staff, especially department heads.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter comprised of the background of the study, statement of the problem, purpose of the study, research objectives, and scope of the study, significance of the study, conceptual framework, and definition of key terms

1.1 Background of the study

Financial Accountability One of the standards in the use of good administration is accountability ((Ramdhani, 2018)). Financial accountability is a form of accountability for public institutions to use public funds economically, efficiently and effectively, there is no waste and leakage of funds, as well as corruption (Zeyn, 2011). Good financial accountability limits fraud and mismanagement. It also empowers beneficiaries and other stakeholders since information is power. In spite of the energies pitched to enhancing financial accountability, many scholarships share disclosed failure to account for funds in different governments.

For instance, globally according to U.S. Government's accountability report USA (2023), net unmatched transactions and balances were worth \$0.1 billion. On similar note in India according to India (2022) auditor's report FY (2021/2022), an amount of ₹36,520 crore was written off during FY 20 but the same amount was depicted as Receipts of External debt during the year, which was contrary to the provision under Government Accounting Rules.

Furthermore, in Tobago (2021), according to Auditor General's Report \$158,642,774.472 was spent in different MDA but during time of audit there was no vivid documents provided as evidence for expenditure.

In Nigeria (2022), according to annual report of the auditor-general several major weaknesses and lapses in the management of public funds and resources were identified across several MDAs during the annual audit. In total, sums of ₦105,760,058,919.43 worth of infractions were observed. Similarly in South Africa (2021) national treasury Annual Report indicates fruitless and wasteful expenditure of R133 million was incurred, as the department made payments for which no services were received on technical support and maintenance.

In Kenya (2020), according to Auditor General's Report Kenya on National Government Funds, the statement of financial performance reflects an amount of Kshs.477, 347,847 in

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