THE IMPACT OF INTERNAL CONTROL SYSTEMS ON PERFORMANCE OF IGANGA MUNICIPAL COUNCIL

BY

OCEN SOLOMON

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMIS

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KAMPALA INTERNATIONAL

UNIVERSITY

SEPTEMBER, 2019

DECLARATION

I Ocen Solomon hereby declare that this research report is my own work and has never been submitted to any other university before for academic credit.

Signature: .... Date: 12.../...9.../...2019

OCEN SOLOMON

1163-05014-07817

(Student)

APPROVAL

This is to certify that the study carried out under the title **"The Impact of Internal Control Systems on the Performance of Iganga Municipal Council"** was carried out under my supervision and is now ready for submission.

Signature: ....   Date: 12/09/2029

MR. MASEMBE MUZAMIL

(Supervisor)

DEDICATION

I dedicate this research report to my beloved parents my father Mr. Angole Charles and my mother Ms. Auma Milly for the financial contribution towards the success of my study may God Reward you abundantly.

ACKNOWLEDGEMENT

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IMC: Iganga Municipal Council

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ABSTRACT

The main purpose of the study was to examine the impact of internal control systems on performance of Iganga Municipal Council.

The objectives of the study were to find out the different types of internal control systems in Iganga Municipal Council, to establish the level of performance and establish the relationship between internal control systems and performance of Iganga Municipal Council.

The study employed a cross sectional research design and used self-administered questionnaires. A sample size of 60 respondents was used and the distribution included 9 from procurement, 4 from finance, 14 from works, 11 from education, 5 from administration departments, 13from heath and 4 from the audit department.

From the findings it was revealed that the major types of internal control systems used in Iganga Municipal Council are; recording, authorization, approval, plus supervision and reviews. Findings also reveal that Iganga Municipal Council lacks physical controls like fire extinguishers and alarm systems which makes its security questionable.

Conclusions are drawn from the research objectives of the study and it can be concluded that internal control systems have a positive impact on the performance of Iganga Municipal Council.

Recommendations were; Management should ensure that there are adequate organizational controls and that each staff knows his duties and equally ensures effective segregation of duties, 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, Iganga Municipal Council should institute physical controls like watch men, alarm systems, and fire extinguishers to be protected from massive dangers of theft and finally Internal trainers or refresh courses for employees about internal control systems should be taken into account and instituting a strong internal control systems to ensure that there is reliable and efficient accountability provided as per laws and regulations

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the background to the study, statement of the problem, objectives of the study, research questions and significance of the study, scope, limitations to the study and the conceptual frame work.

1.1 Background of the study

Internal controls refer to the measures instituted by an organization so as to ensure attainment of the entity's objectives, goals and missions (Brennan & Soloman, 2008). They 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 organizations communication processes, internally and externally, and include procedures for: - handling funds received and expended by the organization, preparing appropriate and timely financial reporting to board members and officers, conducting the annual audit of the organization's financial statements, maintaining inventory records of real and other properties and their whereabouts.

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 (David, 2001). Increasingly, reliability of financial reporting in accounting context is very important for the investors who use the information for decision management (Jenning etal. 2008).

The reliability of financial reporting is effective to internal control efficiency to ensure that the transactions and bookkeeping are appropriate and properly authorized, valid, correctly recorded, complete, and on time. Moreover, it is very important that organizations have fairly summarized accounting information data disclosure (Sebbowa, 2009). However, in general, a quality reporting is affected by internal control mechanism. There is a general perception that institution

and enforcement of proper internal control systems will always lead to improved financial performance. It is also a general belief that properly instituted systems of internal control improve the reporting process and also give rise to reliable reports which enhances the accountability function of management of an entity. According to Dixon et al (1990), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives.

On the other hand Sebbowa (2009) refers to performance as the ability to operate efficiently, profitability, survive, grow and react to the environmental opportunities and threats.

According to Donald & Delno (2009), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives.

Gerrit and Abdolmohammadi (2010) contends that, performance is measured by either subjective or objective criteria; arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms.

Performance encompasses accumulated end results of all the organization's work processes and activities. Performance measures can be financial or non-financial.

Both measures are used for competitive firms in the dynamic business environment. Financial measures of organizational performance include; return on assets, return on sales, return on equity, return on investment, return on capital employed and sales growth (Gerrit & Abdolmohammadi, 2010).

Iganga Municipal Council is located in Iganga District 120 km /75 miles from Kampala the capital city of Uganda along the main road that crosses through east Africa from Mombasa port in Kenya. It is located between Jinja and Bugiri district which covers an area of 4.7 km. Iganga is one of the oldest town in Busoga region and one of the faster growing town in eastern Uganda by 1870's, it was a village covered with bananas and maize plantations from the establishments of the headquarters of the protectorate District Administrator in 1890's at a place called Bukoyo situated 3 km from the present site of the town along the present day Baita lane.

Business were ran mainly by Arabas and Asians, Iganga was declared a self-accounting town council in the year 1978 and these activities have been increasing at a rapid speed as well as the population and now today declared as a Municipal Council on 1st /July /2010. The main activities here are an agricultural processing like coffee harvesting, maize milling, metal fabricating and wood working also that there is need to review and evaluate management roles of internal controls whether they are in place, adequate, applicable and effective. Some dealings in merchandise from agricultural products to consume industrial products.

1.2 Statement of the Problem

Iganga Municipal Council has attained varying opinions of performance since it started between qualified and unqualified opinions of financial statement by the auditor general. This has risen the researchers' interests to identify the cause for the qualified opinion reports there by researching on the impact of internal controls on the performance of Iganga municipal council. However this situation can be improved if the internal controls are adequate, applied, efficient and effectively managed.

1.3 Research Objectives

1.3.1 General objectives

The general objective of the study was to examine the impact of internal control systems on the performance of Iganga Municipal Council

1.3.2 Specific Objectives

i) To establish the impact of internal control system on the performance of Iganga Municipal Council
ii) To find out the internal control systems used at Iganga Municipal Council
iii) To establish the relationship between the internal control system and performance of Iganga Municipal Council.

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1.4 Research Questions

i) What is the impact of internal control systems on the performance of Iganga Municipal Council?

ii) What internal control systems are put in place by Iganga Municipal Council?

iii) What is the relationship between internal control systems and performance of Iganga municipal council?

1.5 Significance of the Study

It may be useful in the following ways;

i) To the management of Iganga municipal council, it might provide a basis of following up internal controls systems

ii) The study may highlight to Iganga Municipal Council the weakness of internal controls and how they can impact on performance

iii) To the researcher, through interaction with various respondents the researcher was able to improve on her communication skills. She also got know the In-depth understanding of the relationship between internal control and performance.

iv) To scholars and future researchers, the findings of the research may contribute to the existing literature about internal controls and the impact it has on performance.

v) The study may also benefit the researcher as a partial fulfillment of the requirements for the award of the degree of Bachelor of business studies of Islamic University in Uganda

1.6 Scope of the study

This included the content, geographical and time scope.

1.6.1 Content scope

The study focused on the impact of internal controls on the performance of Iganga Municipal Council. Therefore it was limited to internal controls as a dependent variable and performance as an independent variable.

1.6.2 Geographical scope

The study was carried out at Iganga Municipal Council in Iganga district

1.6.3 Time scope.

The study considered a period of 5 years that is from 2014 to 2019

1.7 Conceptual framework

Performance of iganga municipal council was taken to be a functional result of internal control systems.

Conceptual framework showing the relationship between internal controls and Performance of iganga municipal council

INDEPENDENT VARIABLE   **DEPENDENT VARIABLE**

| INTERNAL CONTROL | | PERFORMANCE |

- Record Keeping
- Authorization
- Supervision Reviews & Management

ACTUAL / BUDGET
- Efficiency
- Economy
- Effectiveness
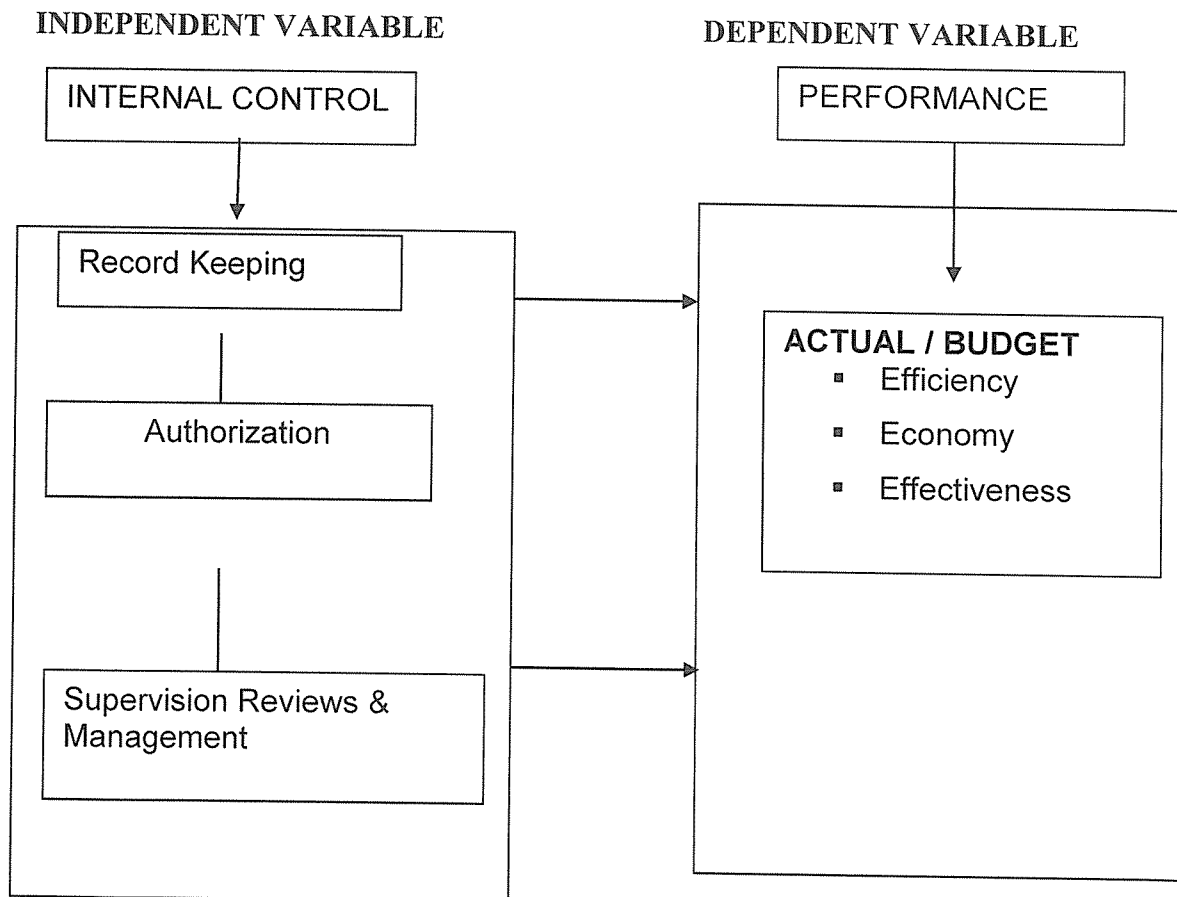
Source: Primary source

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

A number of issues were discussed in relation to internal control system and performance of Iganga municipal council. The review was conceptualized under the objectives of the studies and focused mainly on the different internal control systems used. The relationship between internal control system and organization performance, these will be the main issues in this study.

2.1Internal control system

According to the Harvard business review the America institute of certified public accountants defiles the system of internal control as "the plan of organization and all of the coordinated methods and measures adopted with in a business to safe guard it's assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed management policies

Arthur 1964 defines internal control as "not only internal check and internal audit but the whole systems of controls financial and otherwise establisher" by the management in order to carry on business of the company in an orderly manner. This means the system of internal control compete implants that all transactions of the association are subject to the review or approval of someone other than the originator of the transactions chambers (1995), Ridley and chambers defined internal control systems as comprising the control environment and control procedures, they further state includes all the policies and procedures.

Internal control is the term generally used to describe how management assures that an organization does meet its financial and other objectives. Internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors. (Verschoor, 1999). Hitt, Hoskisson, Johnson & Moesel (1996) argued that there are two types of major internal controls associated with the management of large firms, particularly diversified firms, which have an important effect on firm innovation, these are; strategic controls and financial controls.

Strategic controls entail the use of long-term and strategically relevant criteria for the evaluation of business-level managers' actions and performance. Strategic controls emphasize largely subjective and sometimes intuitive criteria for evaluation (Whittington & Kurt 2001). The use of strategic controls requires that corporate managers have a deep understanding of business-level operations and markets. Such controls also require a rich information exchange between corporate and divisional managers (Hoskisson, Hitt, & Ireland, 1994).

2.1.1 Control Activities

Ray & Pany (2001) also mentioned Control activities as another component of internal controls. They note that control activities are policies and procedures that help ensure that management directives are carried out. Controls activities in an organization basically

Comprise; performance reviews (comparing actual performance with budgets, forecasts and prior period performance), information processing (necessary to check accuracy, completeness and authorization of transactions), physical controls (necessary to provide security over both records and other assets), and segregation of duties (where no one person should handle all aspects of a transaction from the beginning to the end).

The last component of internal control according to Ray & Pany is monitoring. This is aimed at ensuring that the internal controls continue to operate as intended. This can be achieved through ongoing monitoring or separate evaluations. Separate evaluations are non-routine monitoring activities such as period audits by the internal auditors (Whittington & Kurt 2001). Generally, internal control is very important to the reliability of financial statements when the internal control system examined closely in timeliness.

2.1.2 Performance

According to Stoner (2003), performance refers to the ability to operate efficiently profitability, survive grow and react to the environmental opportunities and threats. In agreement with this, Sollenberg & Anderson (1995) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, organization or process (EFQM, 1999).

Hitt, et al (1996) believes that many firms' low performance is the result of poorly performing assets (businesses). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some firms acquire businesses with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets. A common reason for such errors is managerial hubris (Reid & Ashelby, 2002). Or overvaluation of managerial capability in the acquisition process.

Henry Fayol 1914 argues that people in order to help an organization towards the goods or objectives. The effort of human n resource managers are directed towards improving the performance of the employees and thereby enabling the organization towards achieving the objectives Henry Fayol points out that performance can be measured through profitability. quality and productivity. According to west et al (1990) performance is taken to meet its goals and objectives by exploiting the available resources in an efficient way.

Stoner (1989) adds that performance entails effectiveness which refers to the firm's ability to serve the services and products that the market requires at a particular time and efficiently. The field of performance management can comprise of two separate types of management. In some aspect performance management, an analyst may view the performance of a company as a whole and also evaluate the effectiveness of the managers and heads of companies in reaching goals in another view performance management is installing of time recording clocks that record arrival and departure of workers in the organization. Verification of stock at regular intervals the approval of documents, the personal section and the operations and many others.

2.2 Internal Control systems and Performance

Internal control is broadly defined as a process, affected 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; effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations (Donald & Delno 2009). Internal control can help an entity achieve its performance and profitability targets, and prevent loss of resources. It can help ensure reliable financial reporting. And it can help ensure that the enterprise complies with laws and regulations, avoiding damage to its reputation and other consequences. In sum, it can help an entity get to where it wants to go, and avoid pitfalls and surprises along the way (Jenning et al., 2008).

Internal control is involves an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It involves the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable. Creating flexible, high-performing, learning organizations is the secret to gaining competitive advantage in a world that won't stand still. Performance measures can be financial or non-financial. Both measures are used for competitive firms in the dynamic business environment) (Jenning et al., 2008).

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2.3 Types of Internal Control systems

Plan of organization

The necessity of an adequate plan of an organization has been mentioned such a plan should cover the activities of both management and staff at all levels, stating clearly the responsibilities and their powers to authorize the activities.

Recording and Authorization

Where recording and authorization are covered with financial and accounting controls should facilitate efficient working and at the same time obviate any chance of fraud or error arising. Here the practical division of duties should be such as to ensure that the internal check system is operating at all stages. internal check is defined by publication of the institute of certified accountants talk about the nature of internal control and it embraces both internal check and internal audit, where internal check forms a valuable part of the internal controls and consists of authority and work in such a manner as to afford checks on routine transactions on day to day work.

This element of internal control according to seam (1997) asserts that all transactions should require authorization by an appropriate person.

Victoria (2006) states that all transactions should be approved or authorized by a responsible person familiar with the program budgets and plans.

The obligations to safe guard the finances of an organization (Matamande 2012). Continues to argue that the use of recommendation signatures deters individual from undertaking fraudulent activities as transaction are continuously monitored.

Reviews and Managerial

According Meigs and Meigs (1990) by reviews and managerial implied by management constantly to review and give considerations to the financial position and financial procedure within the organization. This may include the use of internal audit department may be a system of evaluating employees to help them reach reasonable goals.

2.4 Relationship between internal control system and performance

Internal controls according to Arthur (1962) are tools that help managers to be effective and efficient while avoiding serious problems such as over spending operation failures and violation of law.

The office of the controller adds that despite the limitations, there is reasonable assurance that internal controls do provide or help organization to focus on achieving its objectives while minimizing unpleasant surprises. They promote efficiency. Reduce the risk of assets loss and help to ensure the reliability of financial statements and compliance with laws and regulations

However it's important to note that whatever the extent of internal control of operation, the resulting control cannot be effective as expected. The human resource manager in relation to internal control is meant to check on the achievement of the companies goals which operate continuously as management control procedure for the organization.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the research design and methodology that was used in the study. It describes the population that was studied and the sampling design to be used. It also discusses the data collection and analysis techniques. The sample served as a full representation of the entire population to ensure that the study is neither biased nor unsuitable

3.1 Research design

A research design is a framework that guides a researcher in studying a research problem (Mugenda, 1999). It guides a researcher to know what to do in the whole of research process.

The study employed a cross sectional research design to collect qualitative and quantitative data. It aimed at examining the empirical and theoretical relationship between the variables of the study.

3.2 Target population

The target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated.

The target population in this case were the employees of Iganga Municipal Council that comprised a number of departments and this tuned to a total of 100 respondents.

3.3 Sampling

Samplingsimply refers to a process of selecting a specific group of people, elements, and objects among others to represent the population from which a study is to be taken from.

3.3.1 Sample size

A sample refers to small group of people or items selected to represent a given population.

The sample size of 40 respondents was used and determined according to the Krejcie and Morgan (1970) where the sample size is determined basing on confidence level.

Table 3.1: Sample size of the population

Department	Population	Sample
finance	7	4
Procurement	16	9
Administration	8	5
Audit	7	4
Works	23	14
Health	21	13
Education	18	11
Total	**100**	**60**

Source: Primary data

3.4 Data collection techniques.

3.4.1 Questionnaire

A questionnaire is a predetermined written set of questions used to obtain data from the respondents by having the responses in writing. The researcherissued questionnaires which were answered by the respondents. Questions were closed ended where choices were provided for the respondents to tick where appropriate.

3.4.2 Interview

This simply means a face to face conversation between an interviewer and the respondents carried out with a purpose of getting information. Therefore questions were organized in advance where the interviewees and the interviewer shall be subject to a one to one verbal discussion.

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3.4.3 Observation

This method provided information about the respondent's behavior and in this case therefore the researcher had to use her analytical skills to critically analyze the emotions of the respondents upon which she based on to gather information relevant to the topic of study.

3.5 Sources of data

The research findings mainly depended on both primary and secondary sources

3.5.1 Primary data

This data was got directly from the respondents at Iganga Municipal council. These included staff from various departments like; finance, procurement, administration, audit, works, health and education. It was collected using questionnaires.

3.5.2 Secondary data

Secondary data was obtained from sources which already existed about Hima town council and had been used before, for example information from journals, books and internet. The researcher collected information from both external and internal sources.

3.6 Data processing and analysis

3.6.1 Data processing

The data was collected from the answered questionnaires, put together, sorted and edited with the help of Microsoft Word and Excel in order to ensure completeness of the information.

3.6.2 Data analysis

Here the data was analyzed using scientific tools for example SPSS in order to derive meaning, improve its accuracy and make it complete for easy interpretation and understanding. The data was then reduced to get meaning using percentages and frequencies to transform it to be complete

3.7 Limitations of the study

The researcher was affected by the following problems;

i)   Financial constraints.Inadequate financial support which consequently slowed down the process of data collection and production of the final report of the study in time.

ii) Lack of corporation; the researcher also faced the problem of uncooperative subjects because some respondents were biased and others wanted give their information in exchange for pay.

iii) Limited time.There was a problem of getting primary data from respondents especially from the staff since they were always pre-occupied with office work to attend to the researcher.

iv) And finally the changing weather conditions such as heavy rain also interrupted the collection of data.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0 Introduction

This chapter entails the presentation, analysis and interpretation of the findings to solve the research problem. In the presentation of findings, tables, frequencies, percentages were used to analyze and explain the findings. It is therefore from these findings that the study enabled me to make conclusions and recommendations.

4.1 Demographic characteristics of the respondents

The data is presented using frequency tables that show the general characteristics of the sample including; sex, age, marital status, educational level,working experience and department in which the respondents are working with at Iganga municipal Council.

4.1.1 Sex of respondents

Sex as a variable was analyzed and the reason was to find out whether the sample selected was fairly balanced in terms of gender. The results were presented in table 4.1.

Table 4. 1: Sex of the respondents

Sex	Frequency	Percentage (%)
Male	48	80
Female	12	20
Total	**60**	**100**

Source: Primary data 2019

Table 4.1 above shows that 80% of the respondents were males and females were 20%. This implies that Iganga municipal council employs more men than women.

4.1.2 Age bracket (in years) of the respondents

This was intended to find out the age distribution of the respondents

Table 4. 2: Age bracket of the respondents

Age bracket (years)	Frequency	Percentage (%)
Below 20	0	0
20-29	13	21.7
30-39	26	43.3
40-49	17	28.3
50 and above	4	6.7
Total	**60**	**100**

Source: Primary data 2019

Table 4.2 shows that none of the respondents were below 20 years, 21.7% were between 20-29years, 43.3% were between 30-39 years, 28.3% were between 40-49 years and finally 6.7% had 50 and above. This therefore implies that most of the respondents were mature people as evidenced by all respondents being above 20 years of age.

4.1.3 Marital status of respondents

Table 4. 3:Marital status of respondents

Marital status	Frequency	Percentage (%)
Single	12	20
Married	38	63.3
Divorced	7	11.7
Widowed	3	5.0
Total	**60**	**100**

Source: Primary data 2019

Table 4.3 above shows that 20% of the respondents had not got married, 63.3% were married, 11.7% had divorced and lastly 5.0% of the respondents were widows. This therefore indicates

that most of the employees at Iganga municipal council were married an implication that it's those with family responsibilities that took part in employment in a bid to meet their basic needs.

4.1.4 Education levels of respondents

This variable was looked at to find out how far respondents had studied.

Table 4. 4: Education levels of respondents

Education level	Frequency	Percentage (%)
Certificate	5	8.3
Diploma	15	25
Degree	34	56.7
Above Degree	4	6.7
Masters	2	3.3
Total	**60**	**100**

Source: Primary data 2019

Table 4.4 above shows that 8.3% of the respondents had certificates, 25% had studied up to diploma level, 56.7% were degree holders, 6.7% were above degree level and finally 3.3% of the respondents had attained a masters. This therefore indicates that most of the employees of Iganga municipal council were qualified and therefore had knowledge about the variables in the research study

4.1.5 Working experience of the respondents

The reason for looking at this variable was to find out the working experience of the respondents in relation to the time period they have worked for Iganga municipal council

Table 4.5: Working experience of the respondents

Experience (years)	Frequency	Percentage (%)
0-4	22	36.7
5-9	30	50
10-14	7	11.6
15 and above	1	1.7
Total	**60**	**100**

Source: Primary data 2019

Table 4.5 shows that 1.7% of the respondents had been working with iganga municipal council for at least 10 years and above, 11.6% had worked between 10-14 years, 50% had worked between 5-9 years while those who had for 4 years and below were 36.7%. Majority of Iganga municipal council's employees had worked for at least 5 years and above an implication that the Iganga municipal council has highly experienced employees.

4.1.6 The department respondents work with

This was intended to find out under what function respondents had been attached to at Iganga municipal council

Table 4. 6: The department respondents work with

Department	Frequency	Percentage (%)
Finance	4	6.7
Procurement	9	15.0
Administration	5	8.3
Audit	4	6.7
Works	14	23.3
Health	13	21.7
Education	11	18.3
Total	**60**	**100**

Source: Primary data 2019

Table 4.6 above shows that6.7% of the respondents were attached to thefinance department, 15.0%procurement department, 8.3% administration department, 6.7% from audit, 23.3% from works and finally 18.3% from the education department. Findings show that majority of the respondents were from the works department.

4.2 Impact of Internal Control System on Performance

Table 4.7: Internal control systems exist at the council

Response	Frequency	Percentage (%)
Strongly Agree	51	85
Agree	5	8.3
Not Sure	3	5.0
Disagree	1	1.7
Strongly Disagree	0	0
Total	60	100

Source: Primary data 2019

Table 4.7 above shows that 85% of respondents strongly agreed that internal control systems exist at Iganga municipal council. 8.3% agreed, 5.0% were not sure, and 1.7% disagreed. None of the respondents strongly disagreed. The highest percentage (93.3%) of the respondents agreed that internal control systems exist at Iganga municipal council as can be evidenced in the table above.

Table 4. 8: Performance is good because of the controls in place

Response	Frequency	Percentage (%)
Strongly Agree	35	58.3
Agree	18	30
Not Sure	4	6.7
Disagree	2	3.3
Strongly Disagree	1	1.7
Total	60	100

Source: Primary data 2019

Table 4.8 above, 58.3% of respondents strongly agreed that performance is good because of the controls in place. 30% agreed, 6.7% were not sure, 3.3%disagreed and finally 1.7% strongly disagreed. The highest percentage (88.3%) of the respondents in their opinion revealed that performance was good because of the controls in place and this therefore implies that if performance is to be improved, then internal control system should be taken into account.

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Table 4. 9:There is a strong internal control system

Response	Frequency	Percentage (%)
Strongly Agree	36	60
Agree	18	30
Not Sure	4	6.7
Disagree	2	3.3
Strongly Disagree	0	0
Total	**60**	**100**

Source: Primary data 2019

Table 4.9 shows that 60% of respondents strongly agreed that there is a strong internal control system at the council. 30% agreed, 6.7% were not sure, and 3.3% disagreed. The highest percentage (80%) therefore confirmed that there is a strong internal control system at the municipal council an indication that there is efficiency and effectiveness in duty execution by the employees.

Table 4. 10: Internal controls impact positively on performance

Response	Frequency	Percentage (%)
Strongly Agree	50	83.3
Agree	6	10
Not Sure	3	5.0
Disagree	1	1.7
Strongly Disagree	0	0
Total	**60**	**100**

Source: Primary data 2019

From table 4.10, it's indicated that 83.3% of respondents strongly agreed that Internal controls impact positively on performance. 10% agreed, 5.0% were not sure, and finally 1.7% disagreed. The highest percentage (93.3%) of them in their view revealed that Internal controls impact positively on performance implying that controls are very vital as far as performance is concerned.

Table 4. 11: More controls should be put in place to improve on performance

Response	Frequency	Percentage (%)
Strongly Agree	52	86.7
Agree	5	8.3
Not Sure	2	3.3
Disagree	1	1.7
Strongly Disagree	0	0
Total	60	100

Source: Primary data 2019

Table 4.11 above shows that 86.7% of respondents strongly agreed that more controls should be put in place to improve on performance. 8.3% of the respondents agreed, 3.3% were not sure, and finally 1.7% disagreed. However none of the respondents strongly disagreed. The highest percentage (95%) of the respondents of the respondents agreed that more controls should be put in place to improve on performance.

4.3 Internal control systems

This was intended to find out the internal control systems being used at Iganga municipal council.

Table 4. 12:Recording

Response	Frequency	Percentage (%)
Strongly Agree	45	75
Agree	5	8.3
Not Sure	4	6.7
Disagree	4	6.7
Strongly Disagree	2	3.3
Total	60	100

Source: Primary data 2019

Table 4.12 above indicates that 75% of respondents strongly agreed that recording as a control had been instituted at Iganga municipal council, 8.3% of them agreed, 6.7% were not sure, 6.7 % disagreed and finally 3.3% strongly disagreed. The highest percentage (83.3%) of the respondents of the respondents agreed that recording as a control had been instituted at Iganga municipal council.

Table 4. 13: Authorization

Response	Frequency	Percentage (%)
Strongly Agree	50	83.3
Agree	5	8.3
Not Sure	4	6.7
Disagree	1	1.7
Strongly Disagree	0	0
Total	**60**	**100**

Source: Primary data 2019

Table 4.13 shows that 83.3% of respondentsof respondents strongly agreed that authorizationas a control had been put in place at Iganga municipal council, 8.3% agreed, 6.7% were not sure and finally 1.7% strongly disagreed. The highest percentage (91.6%) of the respondents of the respondents agreed that authorized had been put in place an implication of a strong internal control system at the municipal council.

Table 4. 14:Approval

Response	Frequency	Percentage (%)
Strongly Agree	49	81.7
Agree	4	6.7
Not Sure	5	8.3
Disagree	2	3.3
Strongly Disagree	0	0
Total	**60**	**100**

Source: Primary data 2019

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Table 4.14 indicates that 81.7% of respondentsof respondents strongly agreed that approvalas a control was used at Iganga municipal council, 6.7% agreed, 8.3% were not sure and finally 3.3% strongly disagreed. The highest percentage (88.4%) of the respondents of the respondents agreed that approval as a control was used at Iganga municipal council an indication of a good and strong internal control system.

Table 4.15:Supervision and reviews

Response	Frequency	Percentage (%)
Strongly Agree	47	78.3
Agree	6	10.0
Not Sure	4	6.7
Disagree	2	3.3
Strongly Disagree	1	1.7
Total	**60**	**100**

Source: Primary data 2019

Table 4.15 indicates that 78.3% of respondentsof respondents strongly agreed that supervision and reviews were done at Iganga municipal council, 10.0% agreed, 6.7% were not sure 3.3% disagreed and finally 1.7% strongly disagreed. The highest percentage (88.3%) of the respondents of the respondents agreed that supervision and reviews were done at Iganga municipal council. Conclusively, the town council had a strong internal control system.

4.4 Relationship between internal control system and performance

The intention for analyzing this variable was to find out if in any case the performance of Iganga municipal council was as a result of the internal control systems that had been instituted in place.

Table 4.16: There is a relationship between internal control systems and performance

Response	Frequency	Percentage (%)
Strongly Agree	46	76.7
Agree	5	8.3
Not Sure	4	6.7
Disagree	3	5.0
Strongly Disagree	2	3.3
Total	60	100

Source: Primary data

From table 4.16 above, 76.7% of the respondents strongly agreed that there is a relationship between internal control systems and performance of Iganga municipal Council, 8.3% of them agreed, 6.7% were not sure, 5.0% disagreed and finally 3.3% strongly disagreed. This therefore gives an indication that majority (85%) of the respondents agreed there is a relationship between internal control systems and performance of Iganga municipal Council.

Table 4.17: Rate of the relationship

Response	Frequency	Percentage (%)
Positive	49	81.7
Negative	11	18.3
Total	60	100

Source: Primary data 2019

Table 4.17 indicates that 81.7% of the respondents revealed a positive relationship between internal control systems and performance of Iganga municipal Council. This implies that as far as performance of Iganga municipal Council is concerned, internal control systems have to be instituted in place.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of the findings, discussions, and recommendations that are based on the objectives, the problem statement, and as well as the recommendations were based on the research findings.

5.1 Summary of the study

The topic of the study was the effect of the internal control systems and the performance of Iganga municipal council.

The study examined a number of objectives which included; to establish the impact of internal control system on the performance of Iganga Municipal Council, to determine internal control systems used and finally to establish the relationship between the internal control system and performance of Iganga Municipal Council

5.1.1 Impact of internal control system on the performance

It was observed that most of the respondents agreed that the Internal control system impacts positively on the performance of Iganga Municipal Council. The highest percentage (93.3%) of the respondents in their view revealed that Internal controls impact positively on performance as can be evidenced in table 4.10 in the previous chapter.

The study further revealed thatperformance was good because of the controls in placeas it was evidenced by a bigger percentage (88.3%) in table 4.8 and finally respondents went ahead to note that there is a strong internal control system at the council an indication that efficiency and effectiveness was enhanced.

5.1.2 Internal control system

The study findings revealed that the internal control systems instituted at Iganga Municipal Council included; recording, authorization, approval and lastly supervision and reviews.

It was found out that the majority of the respondents agreed that these controls had been put in place as evidenced by the majority who agreed. Those who agreed put recording at (83.3%) in table 4.12, authorization at (91.6%) in table 4.13, approval at (88.4%) in table 4.14 and finally supervision and reviews at (88.3%) in table 4.15. therefore study findings shows that internal controls had been instituted at the municipal an indication of a strong internal control system.

5.1.3 Relationship between Internal control system and performance

It was found out that respondents acknowledged of the relationship between the internal control system and the performance of Iganga Municipal Council. This was noted by the highest percentage(85%) of the respondents who agreed as evidenced in table 4.16.

Study findings also further revealed that therelationship between the two variables was rated to be positive. This was evidenced by 81.7% of the respondents who had that opinion as seen in table 4.17.

5.2 Conclusion

Basing on the study findings, the internal control systemwas seen to be very important in regard to the performance of Iganga municipal council.

However, other factors for example; taxation, auditing and budgeting among others must be taken into account if theperformance of Iganga municipal council is to be improved.

5.3 Recommendations

Basing on the research carried out in the field, the following are the recommendations made to the administration of Iganga municipal council;

i) Management should ensure that there are adequate organizational controls and that each staff knows his duties and equally ensures effective segregation of duties

ii) 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

iii) Iganga Municipal Council should institute physical controls like watch men, alarm systems, and fire extinguishers to be protected from massive dangers of theft

iv) Internal trainers or refresh courses for employees about internal control systems should be taken into account and instituting a strong internal control systems to ensure that there is reliable and efficient accountability provided as per laws and regulations in place

5.4 Areas for further Research

Further research need to be carried out on the areas below;

i) The effect of taxation and performance
ii) The effect of auditing and financial performance
iii) The effect of budgeting and financial performance

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APPENDICES

Appendix I: QUESTIONNAIRE

Dear respondent,

I am Ocen Solomon, pursuing a bachelor of business studies. I am conducting a research on the topic "The impact of internal control system on the performance of Iganga Municipal Council in Iganga District. The information obtained will be held confidential and for academic purposes only.

Thanks for your cooperation and response.

SECTION A: BIO DATA

(Please tick the most appropriate answer provided)

1. Sex of the respondent

Male	Female

2. Age Bracket (years):

Below 20	20-29	30-39	40-49	50 and above

3. Marital Status

Single	Married	Divorced	Widowed

4. Education level

Certificate	Diploma	Degree	Above degree	Masters

5. Working experience (Years)

0-4	5-9	10-14	15 and above

6. Department working with

Finance	
Procurement	
Administration	
Audit	
Works	
Health	
Education	

SECTION B:

(Please tick the most appropriate answer provided)

SA-Strongly Agree, A-Agree, NS-Not Sure, D-Disagree, SD-Strongly Disagree

IMPACT OF INTERNAL CONTROL SYSTEM ON PERFORMANCE

No.	Response	SA	A	NS	DA	SD
7	Internal control systems exist at the council					
8	Performance is good because of the controls in place					
9	There is a strong internal control system					
10	Internal controls impact positively on performance					
11	More controls should be put in place to improve on performance					

SECTION C:

(Please tick the most appropriate answer provided)

SA-Strongly Agree, A-Agree, NS-Not Sure, D-Disagree, SD-Strongly Disagree

INTERNAL CONTROL SYSTEMS

No.	Response	SA	A	NS	DA	SD
12	Recording					
13	Authorization					
14	Approval					
15	Supervision and reviews					

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SECTION D:

(Please tick the most appropriate answer provided)

SA-Strongly Agree, A-Agree, NS-Not Sure, D-Disagree, SD-Strongly Disagree

RELATIONSHIP BETWEEN INTERNAL CONTROL SYSTEM AND PERFORMANCE

	Response	SA	A	NS	D	SD
16	There is a relationship between internal control systems and performance					

17. If you strongly agree or agree, please rate it?

Positive	Negative

THANK YOU FOR YOUR RESPONSE