INTERNAL CONTROL SYSTEMS AND QUALITY OF FINANCIAL STATEMENTS IN LOCAL GOVERNMENTS IN NORTHERN UGANDA: THE CASE OF NWOYA DISTRICT LOCAL GOVERNMENT

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APRIL, 2026

DECLARATION

This Dissertation is my own original work and to the best of my knowledge and belief confirm that it has never been submitted to any institution/ university for academic award.

Ocen George	.....	30th April 2026.
Researcher	Signature	..... Date

APPROVAL

This is to certify that this Dissertation titled "Internal Control Systems and Quality of Financial Statements in Local governments in Northern Uganda: The Case of Nwoya District Local Government" was done under our supervision and is now ready for submission.

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DEDICATION

I dedicate this dissertation to my dear mother Okidi Alum Kerobina, my brothers Obita Phillips, Opio Peter Patrick, Ladwar Denis Okidi, Olaka Joseph Derrick, my Sisters Akello Anne Mary, Adong Christine Joyce, my wife Oloya Susan and children Olaka Daniel Melvin, Aber Racheal Ritah and Lakica Nicole Nella for their endless and unconditional love, care and support both financially and morally to me during my academic struggle. May God the Almighty bless them abundantly.

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Most importantly, I praise and thank God for the love, grace, strength and providence. I pray that He leads me yet again into the green pastures.

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LIST OF ABBREVIATIONS AND ACRONYMNS

AAA -	American Accounting Association
CAO –	Chief Administrative Officer
CEO –	Chief Executive Officer
COSO –	Committee of sponsoring organizations
COVID -19 –	Coronavirus
CVI -	Content Validity Index
DLG-	District Local Government
GAAP –	Generally Accepted Accounting Principles
GDP -	Gross Domestic Product
ICFR -	Internal Control Over Financial Reporting
ICS –	Internal Control Systems
IFMS –	Integrated Financial Management Systems
IFRS -	International Financial Reporting Standards
IPPS –	Integrated Personnel and Payroll System
ISO –	International Organization for Standardization
LG -	Local Government
LGA –	Local Government Act
LGFAR –	Local Government Finance and Accounting Regulations
LR -	Local Revenue
NIRA –	National Identification and Registration Authority
PFMA –	Public Finance Management Act
QMS –	Quality Management System
SOX –	Sarbanes Oxley Act
SPSS –	Statistical Package for Social Scientists
USA –	United States of America

ABSTRACT

This study examined the effect of internal controls systems on the quality of financial statements in Nwoya District local government. The objectives of the study were: to assess the internal control systems put in place in Nwoya DLG, to examine the level of quality of financial statements of Nwoya DLG, to establish the relationship between internal control systems and quality of financial statements in Nwoya DLG, and to examine the intervening effect of financial regulatory frameworks on the relationship between internal control systems and quality of financial statements in Nwoya DLG. The study used a descriptive survey research design and adopted a cross sectional research design on a sample of 95 respondents from a population of 107 Nwoya District local government staff that included all the different cadres and strategists determined using purposive sampling. Quantitative data was collected by use of a questionnaire and analyzed using Statistical Packages for Social Scientists (SPSS). The study established that there is a positive significant relationship between internal control systems and quality of financial statements being revealed by a moderate level of internal control systems and also a moderate level of the quality of financial statements being produced. The study found moderate significant positive relationship between most of the constructs of internal control systems (control activities and control environments) and quality of financial statements except risk assessments and mitigation which had a weak relationship with the quality of financial statements. The study further found out that financial regulatory frameworks has a significant intervening effect on the relationship between internal control systems and quality of financial statements. The study thus concluded that control activities, control environments and risk assessments and mitigation affects the quality of financial statements. Therefore, the researcher recommends that entities such as Nwoya District local government should establish an appropriate internal control systems in place so as to significantly influence the quality of financial statements that is produced since for instance according to study findings, adherence to control activities leads to improvement in quality of financial statements and adherence to control environments leads to improvement in quality of financial statements. The Financial Regulatory Framework should be followed when preparing financial statements since it has a positive influence on the relationship between internal control systems and quality of financial statements.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Quality of financial statement or report in public sector is a global challenge. According to Mweta et al 2018, financial statement is a written report which quantitatively describes the financial health of a company or an organization which usually includes the income statement, balance sheet, cash flow statement and the statement of retained earnings (Mweta & Ahmad, 2018)**.**

Quality of financial statements on the other hand refers to statements prepared to the required accounting financial reporting standards to show the financial position of the business at the end of the financial/accounting year and these statements must meet the following characteristics which include; understandability, compatibility, comparability, relevance and fair presentation (Mohiddin, 2017). The objective of financial statements is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers. (AICPA, 1973)

This study was important because in Nwoya DLG the District finance committee has time and again reported that there exists ineffectiveness of internal control systems, weaknesses in internal control systems, non-compliance with regulations and accounting standards and also weak management influence in designing and monitoring internal controls. Based on the problems that emerge in the field, there are several factors that may affect the quality of financial statements in local governments such as: Quality of Human Resources, Internal Control System Implementation, Organizational Commitment and Utilization of Information Technology, however internal control system is the factor considered most likely to affect the quality of financial statements produced in local governments. (Hla & Teru, 2015)

Further still, based on reports obtained, the lack of internal control systems with the ability to make high quality financial statements is the main reason to the poor financial statement quality in government institution.(Dewi et al., 2019)

Accordingly the aim of this study was therefore to establish the linkage between internal control systems and quality of financial statements taking the activities of Nwoya District local government as a case study.

1.2 Background of the Study

Quality of financial statement in public sector has been challenging worldwide. Basically, the financial statements is a form of accountability for stewardship of economic resources owned by the entity. These reports must be prepared under the accounting standards so that financial statements can be compared to the financial statements of the prior period or can be compared with the financial statements of other entities. (Dewi et al., 2019)

The quality of financial statements in local governments is shaped by a mix of institutional, technical, and governance challenges. Many of these have been repeatedly highlighted in reports from the Office of the Auditor General and oversight bodies namely; Weak Compliance with International public sector accounting standards (IPSAS) resulting into misclassification of expenditures and incomplete disclosures are common, lack of enough qualified staffs resulting into capacity gaps, Weak Internal Controls and Governance resulting into poor segregation of duties and weak supervision increasing risk of frauds, Delays in Financial Reporting/late submission of financial statements due to systems inefficiencies, staff shortages and delayed data consolidation from lower units affecting decision making, Revenue Leakages and Weak Local Revenue Administration resulting in incomplete or inaccurate revenue figures, Inadequate Disclosure of Liabilities and Arrears leading to understatements of obligations and misrepresentations of the true financial position, Poor Record-Keeping and Documentation for instance existence of missing vouchers and incomplete records hence affecting the verifiability and auditability of financial statements. (Budiyani et al., 2024)
In Uganda therefore, financial statement quality is undermined by Limited technical capacity, weak enforcement of controls and weak Governance and accountability endeavors.

Internal control is a process, effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of a firm’s objectives in the effectiveness and efficiency of operations, reliability of financial and management reporting, compliance with applicable laws and regulations and protect the organization’s reputation (Kaplan, 2008).

According to Committee of Sponsoring Organizations (COSO), (2004), Internal Control is a system consisting of specific policies and procedures designed to provide management with reliable assurance that the goals and objectives it believes to be important to the entity will be met. In their view, the reasons to have internal controls is to promote operational effectiveness

and efficiency, provide reliable financial and administrative information, safeguard assets and records, encourage adherence to prescribed policies and compliance with regulatory agencies. (Eton et al., 2022)

Internal control and financial performance in Local government sector is important because, Internal controls in any organization helps to ensure safe custody of all assets; to avoid misuse or misappropriation of the firm's assets and to detect and safeguard against probable frauds.(Ifada et al., 2023). Public institutions use internal control mechanisms to make sure the staffs respect its policies and procedures. (Agbenyo et al., 2018). Everyone in an organization has the responsibility to ensure internal control succeeds to some extent. Internal control leads to timely reporting, proper accountability and proper allocation of resources. (Ajao & Oluwadamilola, 2020)

In response to several high-profile financial frauds, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued their Internal Control Integrated Framework in September 1992 (Sunday Ajao & Olayemi Oluwadamilola, 2020). This report provided a foundation for assessing internal control's effectiveness. Since then, several waves of accounting scandals have led to regulatory requirements for managers and auditors to report on internal control effectiveness.

Most recently, the Sarbanes Oxley Act (SOX) internal control provisions have fueled the ongoing debate among regulators and practitioners about the effectiveness of this type of regulation in improving financial reporting quality given the subsequent financial crisis. In a speech delivered at the U.S Chamber of Commerce Global Capital Markets Summit, James Turley (2008), Chairman and CEO of Ernst & Young, calls for "a global debate about what management should be saying about its controls, (and) what auditors should be saying about them, if anything. (Austin & Starysh, 2019).

Supporters of internal controls regulation argue that limiting managerial discretion improves financial reporting quality (Epalat, 2018). While potentially true for firms with material internal control weaknesses, limiting managerial discretion may not improve financial reporting, on average, for all regulated firms and could potentially reduce the quality of financial reporting.

The ability to effectively manage the company's business requires access to timely and accurate information that informs decision making. Moreover, investors must be able to place confidence in a company's financial reports if the company wants to raise capital in the public

securities markets (Kewo & Afiah, 2017a). Management's ability to fulfill its financial reporting responsibilities depends in part on the design and operating effectiveness of the controls and safeguards it has put in place over accounting and financial reporting. Without such controls, it would be extremely difficult for most business organizations especially those with numerous locations, operations, and processes to prepare timely and reliable financial reports for management, investors, lenders, and other users (Austin & Starysh, 2019). While no practical control system can absolutely assure that financial reports will never contain material misstatements, an effective system of internal control over financial reporting (ICFR) can substantially reduce the risk of such misstatements in a company's financial statements (CAQ, 2019).

Globally, there has been growing concerns regarding the quality of financial statements worldwide mostly in the growing developing and high aid recipient countries of South East Asia and Europe. In South East Asia, in India, the country has got deepened concerns in terms of financial statements quality triggering public financial reforms. Many concerns of inefficiencies in internal control systems and public service delivery arose. According to the Auditor General's report, the India's Federal government suffered from poor implementation of internal control systems affecting the utilization of USD 1.78billion which showed myriad problems like; non-measurable targets, inconsistent and unreliable reported data, limited financial controls and unchecked use of process and output indicators, and such issues derailed the potentiality of public financial management on service delivery (Akinleye & Kolawole, 2020).

In Africa, especially in the Sub-Saharan countries, research reports shows that they struggle to develop in terms of financial statements performance with countries like Central African Republic, South Sudan and Zimbabwe being the least developed by standards as compared to other regions based on indicators of financial development, (Mutai & Robert, 2017) majorly attributed to ineffective internal controls. For example, in the case of Zimbabwe, despite the Governments' considerations to improve financial statements quality by strengthening its financial and internal controls, enhancing the resilience of the financial system and tax administration (Matoti, 2021), the country's quality of financial statements are still poor with a total public debt of $11.1 billion (53.9% of GDP).

In the Ugandan context , According to the consolidated audited reports by the Auditor General, local governments of Uganda have continuously performed poorly in terms of local revenue mobilization for instance in the FY 2018/19, districts budgeted to collect

UGX.18.6bn. However only UGX.11bn (59%) was released leading to an under collection of UGX.7.6bn (41%). In terms of lack of accountability, in the FY 2018-19, an amount of UGX. 1.1bn included in the expenditure figures of the consolidated financial statement lacked supporting documents at the time of Audit. In the year 2019-20, an amount of UGX.342,077,239 included in the expenditure figures of the consolidated financial statements lacked supporting documents at the time of audit. In the year 2021-22, expenditures worth UGX 3.37 Billion paid out for implementation of various activities in the LGs remained unaccounted at year-end. In terms of Inadequate Controls Surrounding Management of Payables, it increased from UGX.43.7bn to UGX.104.1bn in the year 2018-19 as disclosed in the consolidated statement of financial positions for District Local Governments. In the year 2019/2020, payables increased from UGX.104, 061,463, 566 to UGX.148,056,101,815 as disclosed in the consolidated statement of financial position for District Local Governments

Particularly to Nwoya District Local government, According to the Auditor Generals' report on financial statements for financial year 2020/2021, inefficient internal control systems resulted into a number of Internal Control Weaknesses hence affecting the quality of financial statement produced as highlighted among others; Low Local Revenue (LR) Performance for the financial year 2019/2020 as the District budgeted to collect UGX.829,006,171 during the year but collected UGX.350,884,864 representing (42.36%) performance, Local revenue estimates for the financial year 2020/2021 as the district budgeted to collect UGX.1,001,649,589 during the year but collected UGX.680,631,277 representing 68% performance.

Therefore, when one or more material weaknesses exist, the company's internal control cannot be deemed effective. The internal control system is recognized as a valuable monitoring mechanism employed by auditors (internal and external) to ensure the credibility of financial reporting. The internal control system is comprised of various policies and procedures that helps in safeguarding the assets of a company, provide reliable financial reports, enhance a company's adherence with the rules and regulations stated in various standards and also enable management achieve effective and efficient operations (Too, 2009). The performance and quality of financial reports of private and public firms in Uganda are dependent on the effectiveness and efficiency of the internal control systems of these organizations.

From the exposition above it is apparent that, in general Nwoya District local government does not currently show the professionalism required in terms of internal control systems as a result leading to the production of poor quality financial statements. Much as the Auditors

issued an unqualified opinions for the reports produced, the trend is worrying and therefore if not addressed through a strong internal control system, in the near future, the opinion reports that will be produced is most likely to be qualified.

1.3 Statement of the Problem

Public sector entities including local governments are expected to produce high-quality financial statements that are accurate, complete, timely, and compliant with established accounting standards such as the International Public Sector Accounting Standards (IPSAS). However, the quality of financial statements in Uganda's public sector remains a significant challenge. Report from the Office of the Auditor General, (2022) indicates that over 75 percent of financial reports submitted by local governments are characterized by errors, irregularities, manipulation, and delays. Specifically, in Nwoya District Local Government, financial statements have been reported to contain inaccuracies, incomplete disclosures, unsupported transactions, and non-compliance with accounting regulations. This is further supported by Finance Committee reports to the Council (December 2022), which highlighted persistent non-compliance by staff, understaffing, and weaknesses in financial management practices. Failure to address these challenges will lead to compromised accountability, erosion of public trust, poor decision-making, misallocation of resources, and ultimately, ineffective service delivery to the public. Auditor General Reports for financial years 2018/2019 to 2021/2022 for Nwoya District further revealed issues such as poor budget implementation, weak project execution, poor payroll management, low revenue collection, and non-compliance with procurement regulations, all of which negatively affect the quality of financial reporting (Muwanga, 2021).

In response to these challenges, the Government of Uganda has implemented several reforms aimed at strengthening public financial management. These include the Local Government Finance and Accounting Regulations (LGFAR) 2007, particularly Section 9(2)(a) and (b) and Section 11(1)(a) and (b), which emphasize adherence to accounting policies, proper authorization of transactions, and efficient resource management. Despite these interventions, the problem of poor-quality financial statements persists, suggesting that existing measures have not been fully effective. Empirical studies conducted in other contexts have demonstrated that strong internal control systems significantly improve the quality of financial reporting (Mutoharoh & Ifada, 2023; Agbenyo et al., 2018). Similarly, internal control systems are widely recognized as a key mechanism for detecting and preventing financial irregularities in public sector institutions (Gyimah et al., 2024).

However, in Uganda, and particularly in Nwoya District Local Government, the extent to which internal control system components such as control environment, control activities, and risk assessment and mitigation influence the quality of financial statements remains unclear. Therefore, this study seeks to investigate the influence of internal control systems on the quality of financial statements in Nwoya District Local Government.

1.4 Purpose of the Study

The purpose of this study was to establish the relationship between internal control systems and quality of financial statements in Nwoya District Local Government.

1.4.1 Objectives of the Study

i. To assess the internal control systems put in place in Nwoya DLG.
ii. To examine the level of quality of financial statements of Nwoya DLG.
iii. To establish the relationship between internal control systems and quality of financial statements in Nwoya DLG.
iv. To examine the intervening effect of financial regulatory frameworks on the relationship between internal control systems and quality of financial statements in Nwoya DLG.

1.5 Research Questions

i. What are the internal control systems put in place in Nwoya DLG?
ii. What is the level of quality of financial statements of Nwoya DLG?
iii. What is the relationship between internal control systems and quality of financial statements in Nwoya DLG?
iv. What is the intervening effect of financial regulatory frameworks on the relationship between internal control systems and quality of financial statements in Nwoya DLG?

1.6 Conceptual Framework

A conceptual framework is a representation of the relationship you expect to see between your variables, or the characteristics or properties that you want to study. It provides the orientation to the study and assists both the researcher and the reader in seeing how the study

contributes to the body of knowledge on the topic, how elements of the study align, and how the study design and methodology meet rigorous research standards.

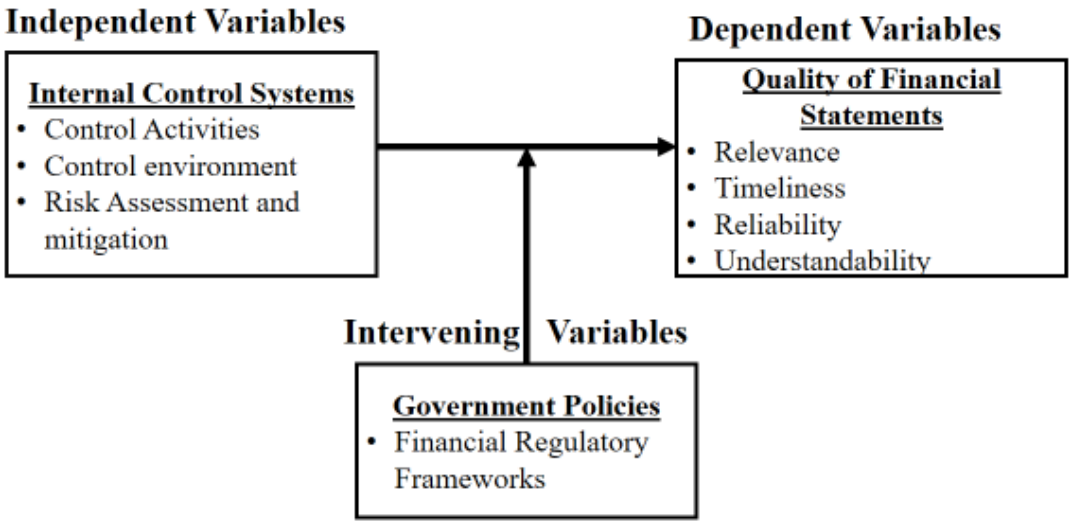


Figure 1. 1: Conceptual Framework

Source: Adapted from COSO, (2013).

1.6.1 Notes to the conceptual framework

According to the above chat, the dependent variable is affected by the independent variables with the effect of the intervening variable. Additionally, internal control systems are the independent variables which were measured by control activities, control environment and risk assessment and mitigation. Quality of financial statement is the dependent variable which was measured by relevance, timeliness, reliability and understandability. Government policies are the intervening variable which was measured by financial regulatory frameworks.

The conceptual framework illustrates that internal control system have an effect on the quality of financial statement. It shows that when there is an improvement in internal control system the quality of financial statement improves (Joe, 2020). On the contrary, it also indicates that when there is poor internal control system, the quality of financial statement will not be satisfactory (Altamuro & Beatty, 2010).

The conceptual framework also indicates that financial regulatory frameworks have an intervening effect on the relationship between internal control system and quality of financial statement. (Yasis, 2024)

The framework illustrates that adherence to financial regulatory frameworks one of the government policies put in place has an effect on the relationship between internal control system and quality of financial statement, indicating that if financial regulatory frameworks are adhered to, quality is improved, the improvement will result into more effective internal control system and good quality financial statement.

1.7 Scope of the Study

The scope of this study was handled in three dimensions; geographical scope looked at the area where the study was conducted, the content scope looked at what the study covered and the time scope tackled the duration of the study which are discussed below.

1.7.1 Geographical Scope

The study was conducted in Nwoya District Local Government in the different departments at the District headquarter, Sub Counties and Town Councils. It is bordered by Amuru District in the North, Omoro District in the North East, Oyam District in the South East, Kiryandongo Districts in the South, Bullisa in the South West and Pakwach District in the West. The District Headquarters is approximately 387 kilometers by road from Kampala through the great North road up to Customs Corner in Gulu City and then South West wards to Anaka Town Council.

1.7.2 Content Scope

This study was limited in content to internal control systems and quality of financial statements in Nwoya District Local Government. The research focused on the following variables and dimensions: internal control systems as the independent variable and quality of financial statements as the dependent variable. Internal control systems was looked in terms of control activities, control environments and risk assessment and mitigation by establishing their relationship on quality of financial statements measured in terms of relevance, timeliness, reliability, and understandability. The intervening variable was financial regulatory frameworks which is one of the government policies used to guide operations. The choice of this scope was based on the fact that, internal control systems have been adopted by local governments as key to improving the quality of financial statements production.

1.7.3 Time Scope

The study considered a period of eight years ranging from 2016 – 2023 because reports from the Auditor General's office on compliance and accountability of funds and the general management of the District from FY2018/19 to date continued to point out gaps in the financial statements produced largely due to the weak internal control systems.

1.8 Significance of the Study

This study is significant to different stakeholders of Nwoya District Local Government both internal and external such as: administrators, employees, other districts, other agencies, local community and central government.

The findings of this study will help the district administrators like; the Resident District Commissioners, the Council chairpersons, the Chief Administrative Officer, among others to understand how to appropriately manage and support the key players in the production of quality financial statements.

The study will help employees of Nwoya District Local Government in setting systems that are relevant to institutional performance in improving financial statements quality, hence leading to better service delivery.

The study will help government through its regulators and policy makers like Uganda revenue authority in enforcing its mandates since the necessary information will be made available for use.

The study will also provide information and knowledge to Contractors and other business operators in ensuring confidence and transparency leading to better service delivery.

The academicians will find the study report useful in inspiring other researchers to conduct deeper researches on areas related to internal control systems and quality of financial statements not exclusively covered by the report.

The study findings will also guide the relevant Ministries on how to generate quality financial statements to improve service delivery in all the local governments in the country.

1.9 Justification of the Study

Internal control systems were considered to have positive contributions to quality of financial statements in Local Governments but there was no empirical evidence to that effect in Nwoya District Local Government.

The study therefore, aimed at establishing the relationships between internal control systems and the quality of financial statements being produced in Nwoya District Local Government.

The research isolated the extent of control activities, control environment and risk assessment on the production of quality financial statements.

However, Nwoya District Local Government still produces poor quality financial statements, since the producers of these statements do not fully comply with the internal control systems in place. This study was carried out to address the causes of poor quality financial statements by isolating factors that underpinned the problem such as control activities, control environments and risk assessment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter the researcher presented theoretical and empirical literature reviews and the research gaps, particularly the relationship between Internal Control Systems (ICS) and quality of financial statements with particular focus on accountability in local governments. It comprised of a review of literatures on ICS (independent variable) with emphasis on Control Activities, Control Environment and Risk assessment and mitigation. While quality of financial statements (dependent variable) was measured by the various aspects of relevance, timeliness, Reliability and Understandability which was also reviewed by looking at literatures from previous researchers.

This chapter reviewed literatures from the global, national and local arena in order to assess the facts about the topic of research.

2.2 Theoretical Literature Review

This research was guided by Stewardship theory and Agency theory to explain approaches to quality of financial statements in local governments.

2.2.1 Stewardship Theory

The meaning of "service attitude" in psychology and sociology is the root of stewardship theory. The definition of stewardship theory is the attitude of employees / managers who are motivated to do work to achieve the vision and mission of the organization not for personal gain. (Davis & Donaldson, 1997).

Stewardship may also be defined as the attitudes and behaviors that place the long-term best interests of a group ahead of personal goals that serve an individual's self-interests. It exists to the extent that leaders take personal responsibility for organizational actions and wield organizational power in the service of broader stakeholder welfare.

Stewardship theory argues that people are intrinsically motivated to work for the welfare of others or their organization to attend the task and responsibilities with which they have been delegated. Stewardship theory holds that the manager and leaders are able to identify with the owner's interest and there is no conflict between both parties.

Stewardship theory places greater value on corporate governance than on agent's self-interest among the parties. (M. Sharma & Singh, 2022)

The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. Donaldson and Davis (1991) emphasized that the stewardship model recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust. It stresses on the position of employees or executives to act more autonomously so that the shareholders "returns" are maximized.

On the authority of stewardship theory the objectives of stewards are lined up with the objectives of the organization. Stewardship approach of governance is one in which individual is motivated by organizational objectives rather than self-interest.

Stewardship theory also explains that the duties and functions of leaders and all government employees as stewards are to serve, work responsibly, and at the same time provide the best guarantee for all affairs delegated to him to achieve the public interest as principals. The existence of a good accounting system will improve the internal control system, so that the duties and functions of stewards in serving are more optimal. (Setiyawati, 2019)

In stewardship theory, the model of man is based on a steward whose behavior is ordered such that pro- organizational, collectivistic behaviors have higher utility than individualistic, self-serving behaviors. Given a choice between self-serving behavior and pro-organizational behavior, a steward's behavior will not depart from the interests of his or her organization.

A steward will not substitute or trade self-serving behaviors for cooperative behaviors. Thus, even where the interests of the steward and the principal are not aligned, the steward places higher value on cooperation than defection. (Widaryani & -, 2020)

According to stewardship theory, the behavior of the steward is collective, because the steward seeks to attain the objectives of the organization (e.g., sales growth or profitability). This behavior in turn will principals such as outside owners (through positive effects of profits on dividends and share prices) and also principals who are managerial superordinate, because their objectives are furthered by the steward. Stewardship theorists assume a strong relationship between the success of the organization and the principal's satisfaction.(Kivistö, 2007)

A steward protects and maximizes shareholders' wealth through firm performance, because, by so doing, the steward's utility functions are maximized. Given the potential multiplicity of

shareholders' objectives, a steward's behavior can be considered organizationally centered. Stewards in loosely coupled, heterogeneous organizations with competing stakeholders and competing shareholder objectives are motivated to make decisions that they perceive are in the best interests of the group. (Waldkirch & Nordqvist, 2016)

Stewardship theorists argue that the performance of a steward is affected by whether the structural situation in which he or she is located facilitates effective action. If the executive's motivations fit the model of man underlying stewardship theory, empowering governance structures and mechanisms are appropriate. Thus, a steward's autonomy should be deliberately extended to maximize the benefits of a steward, because he or she can be trusted. In this case, the amount of resources that are necessary to guarantee pro-organizational behavior from an individualistic agent are diminished, because a steward is motivated to behave in ways that are consistent with organizational objectives.(Afiah & Azwari, 2015)

The essential assumption underlying the prescriptions of stewardship theory is that the behaviors of the executive are aligned with the interests of the principals. Unfortunately, stewardship theory provides little help in shedding theoretical light on the existing relationship even when goals are aligned. Although some of the factors concerning the "model of man," such as identification and cultural differences are insightful, other assumptions generally lack explanatory power. One problem with the application of stewardship theory is that attention is still focused on aligning the interests of the steward with the principal.

Internal control system will run efficiently and effectively if individuals prefer the interests of the organization, in accordance with stewardship theory which shows that people who work in an organization tends to prioritize the interests of the organization rather than their own interests.

Quality of financial statements are those that can benefit the community and can be used as a basis for decision making, therefore a good accounting system is needed and is in accordance with GAAP in making financial report by the government. In accordance with the stewardship theory which explains that leaders and all government employees as stewards are required to provide guarantees for financial statements that have elements of clarity, consistency and trustworthiness. In connection with this, the financial statements produced by having these elements, makes financial statements useful in decision-making. (Widaryani & -, 2020)

Therefore, internal control system concepts using stewardship theory emphasizes shifts from strict policing to enabling responsible behavior of trust and ethical culture, collective responsibility, empowerment with accountability, among others.

Whereas on the quality of financial statements variables, Stewardship theory assumes that managers act as responsible custodians of organizational resources**,** motivated by trust, professionalism, and long-term success rather than opportunism.

2.2.2 Agency Theory

Agency Theory has its roots in economic theory which was postulated by Alchain and Demsetz in 1972 and was further developed by Jensen and Meckling (1976) as cited by Sumito et al., (2021). The Agency theory is defined as "the relationship between the principals, such as shareholders and agents such as the company executives and managers". In this theory, it is believed that the shareholders (owners or principals of the company) hire the agents to work. The principals' delegate the running of business to the agents (directors or managers) who ensure the objectives of the shareholders are met (Sumito et al., 2021).

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals such as shareholders and agents of the principals for example, company executives. The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions.

The theory posits that agents have more information than principals and that this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by agents. The applicability of this theory to internal control and quality of accounting was observed that quality internal controls minimize information asymmetry through quality reporting (Epalat, 2018).

The most common agency relationship in finance occurs between shareholders (principal) and company executives (agents). Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and performance helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of internal controls and internal audit in firms but can also help explain

some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Quality internal control system will enhance transparency in reporting and diminish agency cost.

Internal control systems concepts using agency theory emphasizes on discipline behavior and align interests, detecting where agents might exploit the system, reduction of opportunity for self-serving actions, among others.

Whereas on the quality of financial statements variables, Agency theory emphasizes on decision-useful not just internally convenient**,** verification, not goodwill, Timely disclosure, among others.

2.3 Quality of Financial Statements

Quality of financial statements refers to the degree of reliability, relevance, transparency, accuracy, completeness and comparability of the information presented in those statements. Quality of the financial statements in the public sector, especially in regions according to Mardiasmo (2009) is a financial statement that is able to present financial information relevant and reliable. Wood and Horner (2010) defines the quality of financial statements as well as reports present fairly the state of entities and activities and provide useful information to users of financial statements. Brookson (2009) define the quality of the financial statements as reported in accordance with accounting standards of financial reporting which shows the financial position and results of operations of an entity at the end of the period. The quality of financial reporting is to generate useful information for their use: İnformation which are characteristics of quality information or financial information quality characteristics (IPSAS, 2010; Jonas and Blanchet, 2000). The quality or characteristics of useful financial information should be considered in order to increase the added value for the entity (Rafat, 2018).

Users of financial statements uses financial statements to take economic decisions and rely on financial statements which have been audited to obtain a guarantee of reliability of financial statements that are used to support decisions in lending. (Arens et al., 2014; Boynton et al., 2006). Similarly, Cohen and Kaimanakis (2011) state that audit opinion provides assurance that the financial statements have been prepared in accordance with accounting standards, and that the financial position, results of operations, and the amount of surplus or deficit is fairly stated on the organization being audited. In addition the audit report is also important as a deterrent to the emergence of low-quality information (Joseph, 2019).

Financial reporting often requires sophisticated decision making and the application of informed judgment. The following three items, for example, all require management to make judgments regarding assumptions and the likelihood of future events for instance accounting areas such as estimating allowances for credit losses, valuing illiquid securities, and determining whether intangible assets are impaired. In these kinds of reporting areas, there is typically a range of acceptable outcomes, rather than a single "correct" result to be measured and recorded (Rafat, 2018).

Financial statements are structured presentations of the financial position of an entity that shows the results of management accountability for the use of resources owned.

The quality of financial statements is normative measures that need to be realized in accounting information so that it can fulfill its purpose as a joint need for users of government financial statements. Controls can, however, be designed and implemented to address the process by which accounting judgments are made and thereby provide reasonable assurance that the financial reports are presented in accordance with GAAP (CAQ, 2019).

The chief objective of financial reporting is to provide the users of the report information about the economic resources, claims and changes in resources and claims. These users who are present and potential investors, lenders and other creditors make use of the information to make decisions about buying, selling or holding equity or debt instruments (Kewo & Afiah, 2017). The users also need the financial information about the resources of the company in order to determine the efficient and effective use of the organizations existing resource by management. The quality of financial reporting can be measured using the qualitative characteristics of financial information. These qualitative characteristics are grouped into two namely; fundamental qualitative characteristic and enhancing qualitative characteristics. Fundamental qualitative characteristics are categorized into relevance and faithful representation. While the enhancing qualitative characteristics are categorized into comparability, verifiability, timeliness and understandability (Sunday Ajao & Olayemi Oluwadamilola, 2020).

Achieving high quality financial statements requires adherence to accounting standards and principles like the GAAP (Generally Accepted Accounting Principles) or IFRS (International Financial Reporting Standards), robust internal controls, and ethical financial reporting practices.

2.3.1 Relevance

Relevance is how pertinent and meaningful the information presented is for users in making economic decisions. Relevant financial information is capable of making a difference in the decisions made by users. Financial information makes a difference in decisions if it has predictive value, confirmatory value or both. Financial information is predictive in value if it can be used as an input to predict future outcomes. It is confirmatory in value if it provides feedback about previous evaluations (Joe, 2020).

The Investment portfolio management argued that information has the quality of relevance when it influences the economic decisions of the users by helping them evaluate past, present and the future events. It was observed by different researchers that to make information relevant was quite challenging as users' needs were dynamic and varsity in nature. However, the existing literature does not clearly demarcate between relevance, completeness and reliability although it exhibit a relationship between relevance and quality of financial reporting. The study sought to establish the type and degree of relationship between relevance and quality of financial reporting.

Andra M. Achim (2014), in his study of financial accounting quality and its defining characteristics noted that financial accounting quality cannot be uniquely defined and that financial information is of good quality when it enhances the characteristics of relevance, reliability, timeliness, understandability, among others.(Andra & Anca, 2014)

2.3.2 Timeliness

Timeliness refers to having information available to decision-makers in time to be capable of impacting their decisions. This involves having information available to decision makers before losing relevance. This means, information must be readily available to influence decisions that users intend to make (CAQ, 2019).

Management needs to balance the relative merits of timely reporting and the provision of reliable information.

The existing literature did not establish the bottom line for achieving a balance between relevance, reliability and timeliness of financial information to users for making economic decisions. Conversely, the tradeoff between benefit, cost, relevance, reliability, comparability and timeliness of financial information is still a paradox.

It was further observed that timeliness overrides reliability because if reporting was delayed until all aspects are known, the information would be highly reliable but of little use to the users for interim decisions. However, the literature did not explain the suitable mix ratio required in achieving a balance between relevance, reliability and timeliness of financial information to users for making economic decisions.

In a study by Mahmut Kargin et al (2011) on the effect of Timeliness of reporting and the quality of financial information, the results reveal that sector, financial statement type and income have significant impact on timely reporting financial statements of selected firms.

A study by Andra et al, on financial accounting quality and its defining characteristics found out that timeliness is desirable but is not as critical as relevance. (Andra & Anca, 2014)

According to the Auditor General's report for Local Governments (2023) it was emphasized that timely financial reporting is important for accountability and transparency to stakeholders.(Bean, 2023).

2.3.3 Reliability

Reliability is the degree to which the result of a measurement, calculation, or specification can be depended on to be accurate. According to (Quoc et al., 2024), reliability is free from material error or bias to ensure the reports are represented faithfully.

Studies conducted on information management by (Bamwira, 2011), assert that information is reliable if it is comprehensive, dependable, representable, faithful and verifiable.

The existing literature failed to rank one of the two that is relevance and reliability being more influential in contributing to quality of financial reporting. However, the American Accounting Association (AAA) emphasized that to be useful, information has to be reliable. Empirical evidence has shown that reliability is a function of relevance and completeness.

According to a study by Trung Nguyen et al, (2024) on the effects of financial statements reliability on firms performances, it was revealed that Reliable financial statements provide useful information to users in making their decisions.

2.3.4 Understandability

Understandability is the process of classifying, characterizing and presenting financial information in a clear and concise manner. Financial reports are to be prepared in a way that

users who have a reasonable knowledge of business and economic activities and who review and analyze the information diligently can understand (Sumito et al., 2021).

According to Herath et al (2017), it state that financial reports when classified, characterized, and presented clearly and concisely results into proper understanding. The better the understanding from users of financial statements, the higher the quality of financial statements. A government financial statement is said to be understood when information presented in financial statements can be understood by users and expressed in terms that are adjusted to the limits of understanding of users. (Sari & Susanto, 2021)

2.4 Internal Control Systems

Internal control is defined as a process effected by an entity's board of directors, management and other personnel, designed to provide assurance regarding the achievement of the objectives relating to the operations, reporting and compliance. Internal control is defined as "The whole system of controls, financial and otherwise, created by the management so as to foster the business of the venture, in an organized and proficient manner, ensure adherence to management policies and also safeguard the assets and secure the completeness and accuracy of the records. Internal control is also defined as the total system of control, financial and otherwise established by the management in order to ensure the business of the enterprise is done in an orderly and efficient manner as well as safeguard the assets and ensure the completeness and accuracy of the records. According to the COSO framework as cited by Joe (2020), internal controls are categorized into five components, namely: control activities, risk assessment, control environment, information and communication, and monitoring activities.

However, for purposes of this study, the researcher narrowed down to only three components of the internal control systems. These are; the control activities, control environment, and risk assessment. The other components of the internal control systems have been held constant.

Internal control plays a key role in monitoring a company's risk profile and identifying area to improve risk management. Internal control is intended to increase the efficiency and effectiveness of an organization through constructive criticism (Richard, 2021) . Many organizations have realized the importance of internal control (Stolbova et al., n.d.). For a company's internal control system to be effective management requires the use of judgment. Management and the board of directors use judgment to determine how much control is enough in the organization. The management and other personnel's use judgment to select, develop and deploy controls across the organization on a daily basis (Campiglio et al., 2018).

Internal control in every organization is very important as it contributes to the decision-making quality of firms, by providing reassurances that decisions made based on the financial information provided are reliable, that assets are correctly valued and protected and that key duties are executed correctly every point in time(Joseph, 2019) Without effective internal control systems, essential goal-setting, strategy processes and organizational communication processes of organizations may be threatened, as underlying information processes may be compromised.

Therefore, in line with the primary objectives of internal controls of safeguarding assets, ensuring accuracy and reliability of financial information, promoting operational efficiency and compliance with laws and regulations; Internal control systems is simply defined as processes, policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations and compliance with laws and regulations.

Internal Control System is a process integral to the actions and activities carried out continuously by the leadership and all employees to provide adequate confidence for the achievement of organizational goals through activities effective and efficient reporting reliability finance, securing state assets, and compliance with the laws and regulations. So, if the internal control system is implemented with one of the objectives of the organization, the reliability of financial reporting will be achieved (Cook, 2021).

Internal control systems are the combined methods, plans and procedures which safeguard the assets of a firm enhance financial and operational performance as well as foster observance of policies that are prescribed. Internal control systems are defined as a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Internal control systems are defined as a set of organizational procedures and policies that ensure that all transactions are processed in the proper way in order to avoid theft, waste and misuse of an organization’s resources (Drapal, 2020).

Internal control system is an obligatory requirement which helps the management to meet the obligations of corporate governance and other legislation. Directors and management are required to have effective control over the resources and procedure of work within the organization. An effective internal control system gives the management the possibilities to

prevent, detect and react against all the associated risks that arise as a result human behavior or business operations (Joseph, 2019).

2.4.1 Control Activities

Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. According to Singleton A.J (2006), Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment namely; preventive, detective, and corrective. Preventive controls predict potential problems before they occur, make adjustments, and prevent an error, omission or malicious act from occurring. The detective controls are used to detect and report the occurrence of an omission, an error or a malicious act. Finally, the corrective controls help in ensuring that the impact of a threat is minimized, identify the cause of a problem as well as the correct errors arising from the problem. Corrective controls correct problems discovered by detective controls and modify the processing system to minimize future occurrence of the problem.(Edition, n.d.)

These three stages encompass arrange of manual and automated activities such as authorizations procedures and approvals, verifications, reconciliations, physical controls, information processing controls, business performance reviews and internal audits reviews which are applied at various organizational and functional levels. Control activities are measures that help ensure that necessary actions are taken to address risks to the realization of an entity's objectives.(Simeunovic et al., 2016)

Control activities include policies governing underwriting policy, fulfilment of the solvency requirement as well as information systems. Control tasks are described as the actions that are established through policies and procedures to help ensure that management's directives to manage risks and achieve objectives are carried out, including the use of technology to conduct business activities (Rafat, 2018). Segregation of duties involves assigning responsibility for different parts of a process to different persons so that no one person can control elements of the process that can be conflicting and is typically built into the selection and development of control activities. The importance of segregation of duties stems in part from the fact that collusion between two individuals is less likely than misconduct by a single individual. Segregation also reflects the lower probability that two persons will make the same error related to the accounting for a transaction (ASIC, 2022).

Control activity in its component of audit determines whether an organization is providing a true and fair view of its financial performance and position. In providing accurate management accounts, or revealing systematic errors, a year-end audit is critical to decision making for an organization that relies on management information (ASIC, 2022). Audits are an essential management tool, used to verify objective evidence of processes, to assess how successfully processes have been implemented, to judge the effectiveness of achieving defined targets, and to provide evidence for reducing or eliminating problem areas.

Internal auditing is the systematic examination of an organization's quality management system (QMS). It is a key component of the ISO 9001 quality system standard, developed by the International Organization for Standardization (ISO) and first published in 1987.

Like all ISO standards, ISO 9001 is subject to periodic review to ensure its continuing relevance and usefulness (ASIC, 2022). ISO 9001 has been revised four times since inception, to address the challenges of changing economies, advances in technology and trends in society. The current version was published in 2015. In 2020, members of the ISO opted not to review ISO 9001, so a new version of the standard may not be published until 2030 despite the challenges presented by both the coronavirus (COVID-19) pandemic and by the continued pace of digital transformation (Cook, 2021).

According to the ISO, to comply with ISO 9001:2015, companies must demonstrate their ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and to enhance customer satisfaction through the effective application of the system, including processes for improvement. All the requirements of ISO 9001:2015 are generic and are intended to be applicable to any organization, regardless of its type or size, or the products and services it provides (Drapal, 2020).

Jurnal Akuntansi (2023), in his study aimed at determining the effects of accounting standards, internal control systems and accounting information systems on the quality of the financial reports in Indonesia noted that applying accounting standards and internal control systems significantly affected the quality of the financial report.(Hisar Pangaribuan et al., 2023)

Budianto et al, (2023) in their study on Government Internal Control System and Quality of Financial Statements in West Aceh Regency, Indonesia also noted that the government's internal control system affected the quality of the presentation of financial statements.

According to a study by Agaba Devis (2024), on Relationship between Control Activities and Financial Performance of Municipal Urban Councils in Northern Uganda, it reveals that control activities positively impacts on the quality of financial statements produced. (Julius et al., 2024)

2.4.2 Control Environment

Control environment discusses the organizational culture, management philosophy and ethical values that influence the effectiveness of internal controls. A strong control environment supports the implementation and operation of internal control systems.

Control environment is defined as the set of standards, processes, structures and values that provide the basis for carrying out internal control across the organization. The control environment comprises of the integrity and ethical values of the organization, the parameters enabling the board of directors to carry out its governance oversight responsibilities, the organizational structure and assignment of authority and responsibility, the process for attracting, developing and retaining skilled individuals and the consistency of performance measures, incentives and rewards to drive accountability for performance (Richard, 2021). Controls designed to generate reliable financial reporting are more likely to succeed if the company's culture including the "tone-at-the-top established by senior management reflects the importance of integrity and ethical values and a commitment to reliable financial reporting. Management reinforces expectations at the various levels of the organization (Altamuro & Beatty, 2010).

The control environment has a pervasive impact on the overall system of internal control. Control environment is seen as the foundation of the internal control systems and it sets the tone at the top, influencing the control consciousness of all staffs of an organization (CAQ, 2019). Control environment is also defined as the style, philosophy, and supportive attitude, in addition to the ethical values, competence, morale and integrity of those involved with the organization.

In control environment, people are intrinsically motivated to complete a task simply because we find it interesting or enjoyable, hence allowing people to perform at their very best. It is the motivation to engage in a behavior because of the inherent satisfaction of the activity rather than the desire for a reward or specific outcome.(Hisar Pangaribuan et al., 2023)

Some indicators of a positive control environment include statements and actions of the board of directors and senior management that demonstrate support for effective controls, issuance and enforcement of an appropriate corporate code of conduct, and training programs that equip employees to identify and deal with ethical issues (Austin & Starysh, 2019).

A study by (Martini et al., 2022) on how Internal Control System Affects the Quality of Financial Report Information Palembang City Government reveals that internal control system taking care of its component of control environment has a positive and significant effect on the quality of financial statement information.

Agaba Devis in his study of Internal Control Environment and Financial Performance of Kitgum Municipal Urban Council, Northern Uganda also reveals a significant positive relationship between internal control environment and financial performance. (Council, 2024)

2.4.3 Risk Assessment and mitigation

Risk assessment evaluates how organizational identity, assess and manage risks that could impact the achievement of financial reporting objectives. Every entity faces a variety of risks from external and internal sources. Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of the objectives. Thus, risk assessment forms the basis for determining how risks will be managed (Sunday Ajao & Olayemi Oluwadamilola, 2020). A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Risk assessment is defined as the identification and analysis of management relevant risk to the preparation of financial statements.

Risk assessment is also defined as the identification and analyzing of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed. Thus, setting objectives is a precondition to internal controls. Management specifies objectives within categories relating to operations, reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives (Kewo & Afiah, 2017b). Management also considers the suitability of the objectives for the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective. Effective risk assessment helps to prioritize which control activities to be implemented by the entity to mitigate the identified risks.

A study by (Ntahondereye et al., 2024) on the Effect of Risk Assessment as an Element of Internal Control System on the Quality of Financial Reporting Information in Local Governments of Rwanda reveals that Risk assessment as a component of the internal control system allows the management to stay focused on the entity's pursuit of its operation and produce high-quality financial reporting.

According to (Kabweine et al., 2023) in the study of the effect of risk management on financial performance in Kabale municipal council, Kabale district, it recognizes the importance of risk assessment for the production of quality financial statements.

Therefore, for the attainment of the organizational objectives that are hindered by the risk assessed, risk mitigation mechanisms which is the process of identifying, assessing, and taking actions **to** reduce the likelihood or impact of potential risks that could negatively affect an organization, project, or activity are effected so that the organizational goals and objectives are attained.

2.5 The financial regulatory frameworks

Financial regulatory frameworks are system of laws, rules, and guidelines designed to ensure the stability and integrity of the financial system, protect consumers, and prevent financial crises. These frameworks are established by governments and regulatory agencies to govern the operations of financial institutions, markets, and product. Given the critical role of the financial system in a country’s development, it is incumbent on governments to have strong and effective regulatory regimes in place to protect investors, ensure orderly functioning of financial institutions and markets, and maintain confidence and stability in the financial system. Financial regulation involves government intervention in the financial system through the passage of rules and laws, and the establishment of institutional arrangements to deal with enforcement, monitoring and supervision. (Wood, 2015)

Notwithstanding the responsibility of accounting services in local governments being difficult to identify, recognize and appreciated, the financial reporting requirement in local governments is wide and challenging. Governments perform series of activities in environments which require to be regulated using the numerous government policies for instance; the financial regulatory frameworks put in place. Each state has its own legal system which varies depending on the social economic and political systems/conditions. In Uganda context, the content, format, frequency and nature of accounting in local governments

are guided and regulated by accounting standards, GAAP, PFMA Act 2015, LGFAR (2007), Budget Act (2005) and LGA CAP 243.

Accounting standards are accounting principles that are applied in the preparation and presentation of financial reports (Azis, 2017). This government accounting standard applies to the presentation of central government financial reports and local government financial reports. This government accounting standard is a reference for preparing financial reports. This makes government accounting standards an important factor that determines the improvement of the quality of financial reports of a government agency and local Governments (Najaf, 2022)

Government Accounting Standards regulate the presentation of financial reports for general purposes in order to increase the comparability of financial reports both to budgets, between periods, and between entities (Hameedi, 2021). When the report preparers follow and understand the existing accounting standards, they are able to present financial reports consisting of balance sheets, budget realization reports, cash flow reports, and financial statement notes in a reliable, thorough and accurate manner.

Government accounting standards are also regulations from the government that need to be followed, so that government agencies and local government can produce reports that have legal force, while improving the quality of the financial reports themselves (Ibrahim, 2021).

The empirical evidence have established a relationship between quality of financial statements and existing legal frame work as it regulates its content, format, nature , frequency and the users of such information. The existing literature does not identify which of these laws/regulations contributes more to the quality of financial statements in LGs in Uganda. (Kongola & Edmand, 2022)

A study by Stephen et al (2013), on the association between accounting standards, legal framework and the quality of financial reporting by a government ministry in Uganda indicate that accounting standards and legal framework are all positively and significantly associated with the quality of financial reporting, providing evidence of the effect of accounting standards and legal framework on the quality of financial reporting.

2.6. Internal control systems and quality of financial statements

The study carried out on the effect of internal control systems on financial performance of higher education institutions in Puntland. The study revealed there is a significant positive

relationship between internal control system and financial performance in institutions of higher learning in Puntland (CAQ, 2019) .

The study conducted a study on the effect of internal control systems on the performance of companies in the Ghanian insurance industry. The findings revealed internal control systems has a statistical significant effect on the level of performance (Joseph, 2019).

According to Ajao & Oluwadamilola (2020), the study measured the degree of the relationship between the internal control and the quality of quality of financial reports of insurance industry in Nigeria. The results of the findings show that internal control have statistically significant impact on the quality of financial reporting of insurance industry in Nigeria.

The study examined the effect of internal control environment on the financial performance of companies quoted in the Nairobi Securities Exchange. The result of their investigation shows that there is a significant association between internal control environment and financial performance (Epalat, 2018).

The study conducted a research on the impact of internal control systems on financial performance the case of health institutions in upper west region of Ghana. The results of their findings revealed a positive association between internal controls and financial effectiveness (Sarigul, 2013).

The study investigated the impact of internal control systems on the quality of bank's financial statements in Jordan. The results of the study revealed that internal control systems has a positive effect on the quality of financial reporting of banks in Jordan (Rafat, 2018).

The study examined the effect of internal controls on financial accountability in the public sector in Nigeria. The study revealed that control environment, risk assessment and control activity has a positive significant effect on financial accountability in public sector.

The study conducted a study on internal control systems on the quality of financial statement information and financial accountability in primary schools in Bandung, Indonesia. The findings showed control environment and control activities have significant influence on the quality of financial statement information which has significant influence on the quality of financial accountability in primary schools (Wu & Ko, 2013). The study investigated the effect of internal controls on financial reporting quality in Iranian family firms. The findings

revealed that weakness in internal controls has a significant negative relationship with financial reporting quality (Goyal, n.d.).

2.7. Summary of Literature

Internal control systems cannot be underestimated as it serves as the lifeblood of most institutions, local governments inclusive in terms of its imperative roles that it plays in both tangible and intangible assets of an entity. Upon successful completion of this study, Internal control systems on quality financial statements stated positive goals more especially when all parties involved adhered to their duties; thus, making the quality of financial reporting comparable, understandable, relevant, and reliable. In this regard, this study successfully investigated the impact of government internal control systems on financial statements quality in Nwoya District Local Government as the case study.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

A research methodology describes the techniques and procedures used to identify and analyze information regarding a specific research topic. It is a process by which researchers design their study so that they can achieve their objectives using the selected research instruments. It also provides a detailed plan that helps to keep researchers on track, making the process smooth, effective, and manageable. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. (Ummah, 2019)

In this chapter the researcher described the research design, study population, sample size, sampling technique, sources of data and the data collection instruments. Furthermore, the researcher also explained how reliability and validity of the instruments were established and how the data have been analyzed. It also identified the ethical considerations and limitations of the study.

3.2 Research Design

According to Kothari 2004, Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose. Research design is the conceptual structure within which research is conducted.

The study used a descriptive survey research design since it helps to captures current conditions and practices and also allows for quantitative analysis for example, frequencies and averages, and adopted a cross sectional research design.

A descriptive survey research design was commonly employed to gather information on the characteristics, behaviors, or opinions of a population or sample using questionnaires as the primary data collection tool. It aims to describe the current state of a phenomenon without influencing or altering the variables being studied. A cross sectional research design on the other hand involves collecting data at a single point in time or over a short period. It is often used to understand the current state of a phenomenon or to make comparisons across different groups or variables. (Lindell & Whitney, 2001)

The design focusses mainly on describing the current state of affairs as it exists**,** without manipulating any variables by collecting numerical data through structured questionnaires aimed at quantifying opinions, behaviors, or other defined variables. The design was used to identify patterns, relationships, or trends within a large population of the study area to provide a comprehensive understanding of the larger context and also helped to establish the internal control systems embraced by workers in Nwoya District LG and the impact these practices had on the quality of financial statements.

A quantitative survey research design enabled the researcher to obtain information on numerous subjects by asking questions and, in some cases collected data which can't be achieved by systematic observations. (Gurbuz, 2017)

3.3 Study Population

The population of Nwoya DLG staff according to the 2024 staff establishment was 1,945 with majority being primary school teachers. The population for the study comprised of 107 key informants working in the different departments of the District headquarters, Sub counties and Town councils in Nwoya District Local Government.

3.4 Sample Size and Sampling Design

According to (Kothari, 2004), a sample size is the selected number of observations from the population of interest for the study purposes. The sample size of 95 informants was determined using a sampling guide by Yamane, (1970). It used Slovin's formula since it's

more efficient for small size populations and the population is known. The researcher used purposive sampling to select key informants/employees for the study.

The study adopted Slovin's Formula given below;

$$\boldsymbol{n = \left[\frac{N}{1 + N(e^2)}\right]}$$

Where;

n is the sample size

N is the population size

e is the margin of error to be decided by the researcher. (5%)

The respondents' breakdown are shown in Table 3.1below

Table 3.1: Study Population and Sample Size

S/NO	DEPARTMENT/ENTITY	POPULATION	SAMPLE SIZE	SAMPLING TECHNIQUE
1	District Headquarter	23	21	Purposive sampling
2	Anaka Town Council	11	10	Purposive sampling
3	Purongo Town Council	08	07	Purposive sampling
4	Koch Goma Town Council	07	06	Purposive sampling
5	Got Apwoyo Sub County	09	08	Purposive sampling
6	Lungulu Sub County	08	07	Purposive sampling
7	Alero Sub County	09	08	Purposive sampling
8	Anaka Sub County	08	07	Purposive sampling
9	Paminyai Sub County	08	07	Purposive sampling
10	Lii Sub County	08	07	Purposive sampling
11	Koch Goma Sub County	08	07	Purposive sampling
	TOTAL	**107**	**95**	

Source: ***Adopted from Nwoya District Local Government staff establishment data 2024***

As shown in Table 3.1, the sample size was 95 out of a population of 107, drawn from all the departments, town councils and sub counties in the district using sampling guide by Yamane, (1970). A sample of the population was selected for this study purpose because the researcher found it practically impossible to collect data from the entire population.

3.5 Sampling Technique and Procedure

According to (Simarjeet, 2017), a researcher is unable to study the whole population because it requires a great deal of time, money and other related resources. The researcher therefore takes a sample to represent the study population in most situations. Sampling refers to the formulation of procedures of selecting the subject or cases to be included in the sample (G.

Sharma, 2017). In this study, the researcher used purposive sampling techniques to collect data from the selected workers for Nwoya District Local Government.

3.5.1 Purposive sampling

Purposive sampling technique involves identification and selection of individuals or group of individuals that are proficient and well-informed with a phenomenon of interest (Etikan, 2016). The researcher therefore used purposive sampling technique to collect data from the workers based on their knowledge, experience and ability to articulate on the subject matter in a reflective manner.

3.6 Data Sources

The researcher obtained both primary and secondary data. Primary data was collected using questionnaires while secondary data were collected by reviewing reports and journals to help the researcher to corroborate the study findings. Data obtained using the above methods were triangulated so as to generate a comprehensive report.

3.7 Data Collection Methods and Instruments

Data collection method for this research was quantitative method as emphasized by (Roulston & Halpin, 2022) and (Guetterman & Guetterman, 2015).

The researcher used questionnaire survey method to collect data using structured questionnaires from the selected workers of the District. The choice of questionnaires was based on ease of administration and its ability to enable the study respondents to give their response to questions without any influence.

The questionnaire was the main instrument and method for collecting data from the respondents. The perceptions and beliefs of respondents were sought using a five point Likert scale, with five being the highest.

Self- administered questionnaires are among common devices used in collecting information and is composed of a set of questions and secure answers that respondents (from a specific population) fill to give the researcher information needed for the study (Taherdoost, 2021). These questionnaires are efficient in collecting data on a large scale basis, can be sent simultaneously to a great number of people and provides for respondents' anonymity among others (Leeuw, 2012). For this study, the researcher used structured questions with predetermined response options and also open–ended questions that required the respondents'

self-opinions. The questionnaires were administered to the selected respondents in the District since it enabled gathering a lot of data from multiple respondents in a short period of time. The questionnaire was based on the five Likert scale technique whereby: 1=strongly disagree, 2=disagree, 3=undicided, 4=agree and 5=strongly agree in order to ease the respondent`s responses.

3.8 Data Collection Procedure

The study employed a structured questionnaire as the sole data collection instrument. The procedure began with the design of a questionnaire aligned with the study objectives and variables, particularly internal control systems and the quality of financial statements. The items were measured using a Likert scale to capture respondents' perceptions.

Before the actual data collection, the questionnaire was reviewed by experts to ensure content validity and clarity. A pilot test was then conducted on a small group of respondents similar to the target population but not included in the final sample. Feedback from the pilot study was used to refine the questionnaire for consistency and reliability.

The researcher obtained an introductory letter from Gulu University to facilitate access to these selected entity for data collection. The researcher then obtained acceptance letter from the Office of the Chief Administrative Officer Nwoya District to carry out data collection from the selected entities. The researcher then contacted the respondents and explained the purpose of the study, assuring them of confidentiality and anonymity. The questionnaires were self-administered while in some cases, the researcher provided brief guidance on how to fill out the questionnaire to ensure proper understanding. Respondents were given adequate time to complete the questionnaires. Follow-ups were made through visits and reminders to improve the response rate and ensure that the questionnaires were properly filled. Completed questionnaires were collected, checked for completeness, and coded for analysis. Any incomplete or inconsistent responses were identified and handled appropriately before data entry.

3.9 Quality of Data Instruments

The researcher conducted a validity and reliability test on the data collection instruments to ensure that the instruments collect data of high quality. Reliability was measured using the Cronbach alpha Coefficient to establish the consistency of the instrument.

Validity of the research instrument was measured using the Content validity index to determine whether the research instrument had an appropriate sample of items for the construct being measured.

3.9.1 Validity

The researcher used Content Validity Index (CVI) to establish the validity of the research instruments. The CVI was calculated as a fraction of the number of relevant items divided by the total number of items for each variable, if the variables score is above 0.70 then they were considered valid for the study (Yusoff, 2019).

For this study, there were 54 questionnaire items and 41 of the questionnaires items were rated as relevant by the expert raters. The CVI was computed as follows:

$$CVI = \frac{\text{Number of relevant questionnaire items}}{\text{Total number of questionnaire items}}$$

$$CVI = \frac{41}{54}$$

$$CVI = 0.76$$

The researcher therefore established a CVI value of 0.76 for the research instrument. The research instruments were further pretested on 5 (5%) of respondents in other administrative units who were similar to those who were included in the survey, this was to ensure that the instructions and meaning of the questions are clear, simple, unambiguous and beneficial to the subjects. This was found to be adequate for this research purpose and therefore the researchers issued the tool for data collection.

3.9.2 Reliability

Reliability is concerned with the consistency of measurement by the study instrument (Taherdoost, 2021). The reliability of the study instruments was established using the Cronbach's Alpha Reliability Coefficient Test for Likert-type scales and this was in line with the general rule of thumb that Cronbach's Alpha scores of 0.6 to 0.7 is acceptable, 0.7 to 0.9 is better and above 0.90 is considered best (Amirrudin et al., 2020).

Various scholars especially in the area of research methodology (e.g. Kothari, 2016; ASDG, 2020) emphasize the need to first verify the reliability and validity of data collection

instruments for trustworthy statistical analysis results. In this particular study, a structured questionnaire was administered as the main data collection tool. The researchers; notably, Kothari (2016) state that each of the study variable and related element needs to hold at least ($\geq \alpha = 0.700$) as the minimum level of reliability alpha (α) coefficient.

The researcher subjected the various constructs to the reliability test to confirm the relevance of the data collected and the findings are shown in Table 3.2. All the variable constructs met the reliability condition. As shown in Table 3.2, all the variables and their constructs investigated in this research meet that basic reliability coefficient standard.

This confirms that the instruments used were relevant for collecting the research data.

Table 3. 2: Study Instrument (Variable and Construct) Reliability Alpha Coefficients

Variable and Construct	Reliability Alpha Coefficient	No of items
Quality of Financial Statements	**0.790**	
Relevance	0.761	06
Timeliness	0.803	06
Reliability	0.778	06
Understandability	0.819	05
Internal Control Systems	**0.780**	
Control Activities	0.755	08
Control Environment	0.827	08
Risk Assessment and mitigation	0.759	08
Financial Regulatory Framework	**0.822**	
Source: Field data, 2024		

This implies that the questionnaire employed in exploring the various study inter-variable/construct components is therefore quite reliable and capable of producing trustworthy results.

3.10 Data Analysis and Presentation

According to (Ali, 2021), data analysis is the systematic process of organizing and synthesizing of measurable and verifiable research data. The researcher utilized the data analysis and presentation to help answer the research questions and formulate conclusions.

The data analysis was done using the Statistical Package for Social Scientists (SPSS) version 16. Data was analyzed through the use of descriptive statistics and inferential statistics using structured questionnaires based on the quantitative approach. Correlation analysis was used to establish the relationships among the variables while multi-variable regression analysis was used to determine the degree to which internal controls system predict quality of financial statements. Thereafter, the data were summarized in form of tables and other statistical forms found suitable for presentation of the findings.

3.10.1 Quantitative data analysis and presentation

The researcher reviewed the quantitative data collected using survey approach for missing or incomplete information. For all research instruments with missing or incomplete data, the researcher cleaned the data for proper statistical analysis, especially in regression analysis. The data collected using questionnaires were processed through editing, coding, entry, and distribution of all data, that is: (i) data collected from all Self-administered-questionnaires were edited immediately by cross checking for accuracy, consistence and readability; (ii) the edited data were then coded by translating responses into numerical values; (iii) the coded data were entered in the Statistical Package for Social Scientist (SPSS Version 16) software and were distributed using simple frequency tables for each categorical variable in order to determine the frequencies and (vi) data were analyzed using linear regression analysis. However linear regression analysis was used for each objective to predict the effect of one independent variable on the dependent variable. Results were interpreted using descriptive statistics to interpret inferential statistics of the regression analysis such as average and variability of variables. The researcher presented the study results using tables and figures.

3.11 Measurements of Variables

According to (Kimberlin & Winterstein, 2008), measurement of variables permits the researcher to scientifically study the research constructs by quantifying the variables. The independent variable in this study was internal control systems and dependent variable was quality of financial statements in Nwoya District Local Government. Internal Control systems was looked at in regard to control activity, control environment and risk assessment and mitigation while quality of financial statements was looked at in regard to relevance, timeliness, reliability and understandability. The variable that was discussed in the intervening variable was financial regulatory frameworks. The nominal scale to measure variables in a five point Likert scale format which ranges from 1 to 5, whereby 1= strongly disagree,

2=disagree, 3=undecided, 4=agree and 5=strongly agree respectively. The respondent selected the response that best describe his or her reaction to each statement.

3.12 Ethical Considerations

Ethical considerations in research are a set of principles that guide the research designs and practices. According to (Gajjar, 2013), ethical considerations are key in the conduct of a study to ensure that power differentials and ongoing relationships with participants are maintained. The researcher ensured the ethical issues were adhered to at all stages of the research, that is to say research problem identification, data collection, data analysis, interpretation and dissemination of the study findings.

For this particular study, ethical considerations are especially important due to the dealing with **sensitive** financial information and staff responsibilities focusing on protecting both individual respondents and the institutions involved.

The researcher obtained introductory letter from the Dean Faculty of Business and Development Studies of Gulu University, this letter was to introduce the researcher to the management of Nwoya district to allow the researcher conduct the study on internal control systems and quality of financial statements in the district. The management of the district headed by the accounting officer (CAO) also issued a letter accepting the researcher to collect the data in the district, as evidenced in the **Annexes** below. These letters were presented to the study respondents to ensure they voluntarily participate without being subjective. The researcher included on the questionnaires a statement reassuring the respondents that there was strict adherence to confidentiality of any information given during the interviews.

The questionnaires were designed in such a way that no mention of the respondent's name was included. Furthermore, the respondents were briefed on the purpose of the research and their relevance in the research process.

The respondents, for example, finance officers, auditors, administrators were clearly informed about the purpose of the study, what is required of them, their right to decline or withdraw and they must agree voluntarily before participating.

Confidentiality of information was critical because internal controls and financial statements reports are sensitive, therefore there were not disclose names of respondents or specific departments.

The researcher practiced anonymity of respondents by avoiding collecting identifiers like names or staff IDs unless absolutely necessary and where possible sue codes instead of names to protect identities.

The researcher protected institutional reputation by reporting results in a generalized and professional manner since findings about weak controls or poor financial reporting could harm a local government's image.

The researcher ensured Voluntary or optional participation so that Participants should not feel pressured by supervisors or authorities to take part.

The researcher practiced honesty and integrity in reporting by not manipulating or fabricating data and presenting findings accurately, even if they reveal weaknesses.

3.13 Limitations and Delimitations of the Study

The researcher was affected by the following limitations.
Some of the study respondents were reluctant to give responses to some research questions for fear of showing up their weaknesses. The researcher addressed this by taking time to explain to these people and reassured them that the study results were for academic purposes only.

Some respondents where hard to reach since they were mostly in the field very busy handling their routine tasks thus requiring special time arrangements. The researcher therefore scheduled for meet them at their convenient times to enable them respond to the set questionnaires with ease.

The study only used quantitative approach in data collection which does not adequately address all issues when analyzing the findings.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter, the researcher looked at data presentation, analysis and interpretation of the study findings from the analysis procedures.

The study undertook analytical perspective of the relationship between internal control systems, quality of financial statements and financial regulatory frameworks in all the departments within the district headquarter town councils and the sub-counties in Nwoya District.

4.2 Respondents Biographical Data Statistics

This section presents the respondents' bio-data in respect to this study. The background information of interest to this study included: gender, age group, and level of education, years of experience, marital status, respondent's category and training status. This information is important in understanding the study respondents and the influence of such information on internal control systems and quality of financial statements.

The respondents' demographic information was looked at to give characteristics of respondents from which the study data was generated. Key information like age group of respondents, gender, levels of education, marital status and years of experience among others were analyzed as shown in Table 4.1.

Table 4. 1: Respondents' Biographical Data

Item	Frequency	Valid %
Gender		
Male	68	74
Female	24	26
Age Bracket (Years)		
(25 and below)	01	1
(26-35)	21	23
(36-45)	38	41
(46-60)	32	35
(61 and above)	00	0
Marital Status		
Single	10	11
Married	80	87
Divorced/Separated	02	2
Widowed	00	0
Educational Level		
Certificate	01	1
Diploma	20	22
Degree	61	66
Others	10	11
Period Served (Years)		
(Below 1)	00	0
(1 - 5)	35	38
(6 - 10)	30	33
(Beyond 10)	27	29
Location		
Headquarters	37	40
Town Council	12	13
Sub-County	40	44
Health sector	03	3

Findings from Table 4.1, illustrate that more male (74%) participated in answering the study questionnaires as compared to the female (26%). This implies that the study was gender representative since it is proportional to the current manpower gender composition of the District staffing at the selected locations and this minimized biases and variations that are gender based.

In terms of age group, majority of the respondents were in the age group of 36-45 years (41%) followed by respondents in the age group 46-60 years (35%). This finding illustrates the mature nature of employees occupying the broader base of employees in the selected administrative units in Nwoya District LG. These people possess key attributes such as flexibility, maturity and vibrancy necessary in the provision of quality services.

The finding further implies that majority of the respondents were matured enough to provide valid and reliable information for the study.

Regarding the level of education, the study revealed that, majority of respondents (66%) held a degree from training institutions, 22% held diploma, while 11% held other levels of education qualifications. This result implies that most of the respondents were literate enough to understand the research questions and provide reliable and valuable opinion on internal control systems and quality of financial statements.

Analysis of years of experience revealed that majority of the respondents had worked in Nwoya District local government for a period of 1-5 years (38%), 33% for a period between 6-10 years, while 29% for a period beyond 10 years. This indicates that most of the respondents had stayed long enough to have adequate knowledge and experience on internal control systems and quality of financial statements in the District.

On marital status, the study illustrated that most of the respondents were married (87%) while 11% were single. This finding implies that for provision of better services employees are required to possess social security offered by the marriage institution.

4.3. Analysis of Response Rate

The researcher established the response rate to determine the level of responses by the study respondents for credibility of results. In this study 95 questionnaires were issued to obtain data for respondents' view on the study variables. Only 92 questionnaires were collected and analyzed as shown in Table 4.2 below.

Table 4. 2: Analysis of Response Rate

S/N	Cadre	Sample Size (S)	Response	Response Rate (%)
1	District Headquarter	21	21	100
2	Anaka Town Council	10	09	90
3	Purongo Town Council	07	07	100
4	Koch Goma Town Council	06	06	100
5	Got Apwoyo Sub County	08	07	88
6	Lungulu Sub County	07	07	100
7	Alero Sub County	08	07	88
8	Anaka Sub County	07	07	100
9	Paminyai Sub County	07	07	100
10	Lii Sub County	07	07	100
11	Koch Goma Sub County	07	07	100
	Overall total	**95**	**92**	**97**
	Source: *Field data, 2024*			

From Table 4.2, a response rate of 97% was obtained by the researcher, there was some nonresponse case registered in Anaka Town Council, Got Apwoyo Sub County and Alero Sub County. According to Fosnacht et al., (2013), a response rate of 75% is sufficient to generalize a study findings.

4.3 Examining the internal control systems practices on the quality of financial statements in local governments

The researcher examined the internal control systems practices in the administrative units of Nwoya District since it is important in the production of quality financial statements. An average rating was utilized to determine each response so as to provide a generalized perception of all the respondents.

The analyzed sections of Internal Control System comprised of the analyses of the three important dimensions namely: Control Activities, Control Environments and Risk Assessment and mitigation as presented in the following sections:

4.3.1 Control Activities

The findings of data on control activities as a component of internal control system in Nwoya district local government is as presented in the table below;

Table 4.3: Control Activities

Control Activities	SD	D	SD+D	UD	A	SA	A+SA
There is clear segregation of duties and responsibilities in processing and approval of transactions	4.3%	4.3%	8.7%	10.9%	45.7%	34.8%	80.4%
There are regular internal/external audits to test compliance to internal controls systems with recommendations or actions to be undertaken	2.2%	3.3%	5.4%	6.5%	50.0%	38.0%	88.0%
There is periodic reconciliation of balances(banks/ledgers reconciliation statements) carried out	1.1%	2.2%	3.3%	7.7%	58.2%	30.8%	89.0%
There are routine verifications of inventories and assets	2.2%	18.5%	20.7%	16.3%	45.7%	17.4%	63.0%
Employees are well trained on policies and procedures to follow for effective internal control systems	10.9%	33.7%	44.6%	8.7%	38.0%	8.7%	46.7%
There is use of passcodes/passwords for access of financial records	6.5%	17.4%	23.9%	16.3%	35.9%	23.9%	59.8%
Employees recruitment is based on their level of qualification, specialization and experience	6.5%	10.9%	17.4%	6.5%	53.3%	22.8%	76.1%
The entity has a good records management system	1.1%	19.6%	20.7%	13.0%	55.4%	10.9%	66.3%
Average	**4.35%**	**13.74%**	**18.09%**	**10.74%**	**47.78%**	**23.41%**	**71.16%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree

Field Data, 2024

The study assessed the effectiveness of control activities and the findings revealed that 80.4% of the respondents agreed that there is clear segregation of duties and responsibilities in processing and approval of transactions. This reflects strong overall control activities in the entity.

The findings also revealed that 88.0% of the respondents agreed that there are regular internal/external audits to test compliance to internal controls systems with recommendations or actions to be undertaken.

The findings also revealed that 89.0% of the respondents agreed to the fact that there is periodic reconciliation of balances (banks/ledgers reconciliation statements) carried out.

In further assessing the effectiveness of control activities, findings also revealed that 63.0% of the respondents agreed that there are routine verifications of inventories and assets.

Findings revealed that only 46.7% of the respondents agreed to the fact that employees are well trained on policies and procedures to follow for effective internal control systems. This therefore requires attention since it can negatively affects the production of quality financial statements.

Further still, the survey finding also indicates that 59.8% of the respondents agreed that there is use of passcodes/passwords for access of financial records.

The study also revealed that 76.1% of the respondents agreed to the fact that employees' recruitment is based on their level of qualification, specialization and experience.

The study in assessing the effectiveness of control activities further revealed that 66.3% of the respondents agreed that the entity has a good records management system.

Therefore, the survey findings indicates that in assessing the effectiveness of control activities in the production of quality financial statements, on average 71.6% of the respondents agreed across all control activities that employees were adhering to control activities that were set.

However, while the organization demonstrates strong internal control systems in key areas like reconciliation and auditing, it could benefit from increased focus on employee training where 44.6% of the respondents disagreed on the policies and procedures to follow for effective internal control systems. The use of password for access of financial records should also be tightened since 23.9% of the respondents disagreed on its usage, while 20.7% of the respondents disagreed on asset verification and records management in the control process to further strengthen its internal control system.

4.3.2 Control Environment

The study findings of data on control activities as a component of internal control system in Nwoya district local government is as presented in the table below;

Table 4.4: Control Environment

Control Environment	SD	D	SD+D	UD	A	SA	A+SA
There are ethical /core values that influence the effectiveness of internal control systems	4.3%	14.1%	18.5%	10.9%	65.2%	5.4%	70.7%
There is culture/philosophy that influence the effectiveness of internal control systems	2.2%	12.0%	14.1%	19.6%	59.8%	6.5%	66.3%
There are standards that provides the basis for effective internal control systems	1.1%	7.6%	8.7%	17.4%	56.5%	17.4%	73.9%
There are processes/structures that provides the basis for effective internal control systems	0.0%	7.6%	7.6%	10.9%	63.0%	18.5%	81.5%
There are broad and far reaching effects that influence the effectiveness of internal control systems	10.9%	33.7%	44.6%	8.7%	38.0%	8.7%	46.7%
Employees are intrinsically motivated to completing tasks that influence the effectiveness of internal controls	6.5%	17.4%	23.9%	16.3%	35.9%	23.9%	59.8%
There is a system in place to monitor compliance with policies and procedures	6.5%	10.9%	17.4%	6.5%	53.3%	22.8%	76.1%
All the activities in the organization are performed according to the approved work plans and budgets	1.1%	19.6%	20.7%	13.0%	55.4%	10.9%	66.3%
Average	**4.08%**	**15.36%**	**19.44%**	**12.91%**	**53.39%**	**14.26%**	**67.66%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree

Field Data, 2024

As noted in table 4.3 above, the study assessed the effectiveness of control environments and the findings revealed that 70.7% of the respondents agreed that there are ethical /core values that influence the effectiveness of internal control systems.

The study findings revealed that 66.3% of the respondents agreed that there is culture/philosophy that influences the effectiveness of internal control systems.

Findings also indicate that in assessing the effectiveness of control environments, 73.9% of the respondents agreed to the fact that there are standards that provides the basis for effective internal control systems.

The survey findings further revealed that up to 81.5% of the respondents agreed to the fact that there are processes/structures that provides the basis for effective internal control systems.

The study also revealed that only 46.7% of the respondents agreed that there are broad and far reaching effects that influence the effectiveness of internal control systems. This indicates that there may be gaps in ensuring that information relayed out to end users meets its intended goals and objectives on the effectiveness of internal controls systems being practiced.

Furthermore, the study also revealed that 59.8% of the respondents agreed to the fact that employees are intrinsically motivated to completing tasks that influence the effectiveness of internal controls.

Still to note is that the study results indicates that 76.1% of the respondents agreed that there is a system in place to monitor compliance with policies and procedures.

The study in assessing the effectiveness of control environments found out that 66.3% of the respondents also agreed to the fact that all the activities in the organization are performed according to the approved work plans and budgets.

The study findings indicates that on average, in assessing the effectiveness of control environments on of the internal control systems 67.66% of the respondents agreed across all control environments that employees were adhering to control environments that were set.

While the organization demonstrates strong internal control systems in key areas like the processes/structures that provides the basis for effective internal control systems and having system in place to monitor compliance with policies and procedures, there is need to focus on the broad and far reaching effects that influence the effectiveness of internal control systems since 44.6% of the respondents disagreed to its effective. Also 20.7% of the respondents disagreed to the performance according to the approved work plans and budgets to further strengthen its internal control system.

4.3.3 Risk Assessment and mitigation

The study findings of data on Risk Assessment as a component of internal control system in Nwoya district local government is as presented in the table below;

Table 4.5: Risk Assessment

Risk Assessment	SD	D	SD+D	UD	A	SA	A+SA
Employees understands the risks that affects operations in the entity	2.2%	15.2%	17.4%	15.2%	59.8%	7.6%	67.4%
There is risks identification mechanisms in place	3.3%	35.9%	39.1%	31.5%	28.3%	1.1%	29.3%
There is a risk assessment committee to continuously assess the internal and external environments for possible risks	10.9%	38.0%	48.9%	31.5%	16.3%	3.3%	19.6%
There are risk mitigation measures for identified and assessed risks in place	6.5%	27.2%	33.7%	35.9%	26.1%	4.3%	30.4%
Employees evaluates how organizational identity assesses and manages risks	4.3%	35.9%	40.2%	33.7%	22.8%	3.3%	26.1%
Employees stays focus on the entity's goals and objectives to produce positive results	3.3%	14.1%	17.4%	15.2%	59.8%	7.6%	67.4%
The entity has sufficient, competent and knowledgeable staffs to manage all activities	3.3%	25.0%	28.3%	8.7%	51.1%	12.0%	63.0%
All employees are involved in developing work plans and budgets	7.6%	20.7%	28.3%	5.4%	47.8%	18.5%	66.3%
Average	**5.18%**	**26.50%**	**31.66%**	**22.14%**	**39.00%**	**7.21%**	**46.19%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree

Field Data, 2024

The study assessed the effectiveness of risk assessment and the findings revealed that 67.4% of the respondents agreed that employees understand the risks that affect operations in the entity, hence positively influencing the quality of financial statements produced.

As also noted in the study findings, only 29.3% of the respondents agreed to the fact that there are risks identification mechanisms in place.

The study findings also indicates that only 19.6% of the respondents agreed that there is a risk assessment committee to continuously assess the internal and external environments for possible risks, indicating that there are gaps in ensuring that this committee continuously assess possible risks that may affect the entity hence the need for serious attention to ensure a significant positive effect on the quality of financial statements.

Further still, findings also revealed that only 30.4% of the respondents agreed to the fact that there are risk mitigation measures for identified and assessed risks in place.

The study finding also indicates that only 26.1% of the respondents agreed that employees evaluate how organizational identity assesses and manages risks.

However the study findings also revealed that 67.4% of the respondents agreed to the fact that employees stays focus on the entity's goals and objectives to produce positive results.

The study in assessing the effectiveness of risk assessment in the production of quality financial statements also revealed that 63.0% of the respondents agreed that the entity has sufficient, competent and knowledgeable staffs to manage all activities.

The study further revealed that 66.3% of the respondents agreed that all employees are involved in developing work plans and budgets.

The study therefore indicates that the average level of agreement that is; both agreed and strongly agreed across all risk assessment items is 46.19%, suggesting that while there is a good understanding of risks and alignment with organizational objectives, there are gaps in the formal risk management processes that could be strengthened to enhance the organization's ability to proactively manage and mitigate risks.

However, findings revealed that 48.9% of the respondents disagreed to the fact that there is risk assessment committee to continuous assess the internal and external environments for possible risks, 40.2% of the respondents disagreed to the fact that employees evaluates how organizational identity assess and manages risks, 39.1% of the respondents disagreed to the fact that there is risks identification mechanisms in place, 33.7% of the respondents disagreed to the fact that there are risk mitigation measures for identified and assessed risks in place and 28.3% of the respondents disagreed to the fact that the entity has sufficient, competent and knowledgeable staffs to manage all activities including the development of work plans and budgets. Therefore, while the organization demonstrates moderate internal control systems in key areas like employees understanding the risks that affects operations in the entity and staying focus on the entity's goals and objectives to produce positive results it could benefit

from ensuring that the risk assessment committee continuously assess the internal and external environments for possible risks, there is risk identification mechanisms and mitigation measures for identified and assessed risks put in place, and there are sufficient and knowledgeable staffs being involved in all activities to further strengthen its internal control system.

4.4 Summary results of internal control systems practices

In summary, the study found out that on average 71.16% of the respondents accepted the statements on control activities, 67.66% accepted the statements on control environments and 46.19% accepted the statement on risk assessment and mitigation. On average therefore, 61.67% of the respondents agreed that internal control systems was being practiced in Nwoya District Local Government.

4.5 Examining the attributes to the quality of financial statement

The researcher examined the attributes to quality of financial statements produced in Nwoya District since it is important in the production of quality financial statements. An average rating was utilized to determine each response so as to provide a generalized perception of all the respondents.

The analysis section of quality of financial statement comprises of the analyses of four important dimensions namely: relevance, timeline, reliability and understanding as presented in the following sections:

4.5.1 Relevance

The study findings of data on relevance as a component of quality of financial statement in Nwoya district local government are as presented in the table below;

Table 4.6: Relevance

Relevance	SD	D	SD+D	UD	A	SA	A+SA
The financial statements/reports produced provides useful information that helps users to make informed decisions	2.2%	3.3%	3.3%	1.1%	48.9%	44.6%	93.5%
The financial statements/reports produced can be used to predict future outcomes of events	4.3%	3.3%	13.0%	8.7%	60.9%	22.8%	83.7%
Financial statements/reports produced can be used to provide feedbacks to the relevant stakeholders	2.2%	1.1%	7.6%	5.4%	53.3%	38.0%	91.3%
The financial statements/reports produced points out clearly the purpose for which they are produced	2.2%	4.3%	15.2%	13.0%	60.9%	19.6%	80.4%
The financial statements/reports produced enables the users to determine the financial performance of the entity	0.0%	5.4%	8.7%	8.7%	51.1%	34.8%	85.9%
The financial reports provides all the necessary information about the entity	2.2%	21.7%	23.9%	21.7%	40.2%	14.1%	54.3%
Average	**2.18%**	**6.52%**	**11.95%**	**9.77%**	**52.55%**	**28.98%**	**81.52%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree

Field Data, 2024

The study assessed the relevance as a component of quality of financial statement and the findings revealed that 93.5% of the respondents agreed to the fact that the financial statements/reports produced provides useful information that helps users to make informed decisions. This reflects a strong agreement to the relevance of the quality of financial statements in the entity.

The study findings also revealed that 83.7% of the respondents agreed that the financial statements/reports produced can be used to predict future outcomes of events, still agreeing to the relevance of the quality of financial statements produced in the entity.

Findings of the survey also indicate that 91.3% of the respondents agreed to the fact that financial statements/reports produced can be used to provide feedbacks to the relevant stakeholders.

Furthermore, the survey results also revealed that 80.4% of the respondents agreed that the financial statements/reports produced points out clearly the purpose for which they are produced.

The study also indicates that 85.9% of the respondents agreed to the fact that the financial statements/reports produced enables the users to determine the financial performance of the entity.

The survey results further revealed that 54.3% of the respondents also agreed that the financial reports provides all the necessary information about the entity, indicating that there may be gaps in adequacy of the information provided in the financial statements. Therefore to ensure completeness, the financial statements produced should include all the much needed information.

Lastly, the survey findings indicates that on average relevance of the quality of financial statements was highly rated at 81.52% as the majority of the respondents generally agreed or strongly agreed across all the statements on relevance that employees were adhering to relevance statements that were set.

Finally, while the organization ensure the production of quality financial statements through adhering to the key areas like financial statements/reports produced providing useful information that helps users to make informed decisions and financial statements/reports produced being used to provide feedbacks to the relevant stakeholders, it could benefit from ensuring that the financial reports provides all the necessary information about the entity so as to build trust and confidence in the entity, since 23.9% of the respondents disagreed to the financial reports providing all the necessary information about the entity.

4.5.2 Timeliness

The study findings of data on timeliness as a component of quality of financial statement in Nwoya district local government are as presented in the table below;

Table 4.7: Timeliness

Timeliness	SD	D	SD+D	UD	A	SA	A+SA
Financial statements/reports are always produced within schedule and in compliance with the core principles	5.4%	19.6%	25.0%	9.8%	50.0%	15.2%	65.2%
Financial reports are always availed on time to aid decision making by management	4.3%	26.1%	30.4%	15.2%	39.1%	15.2%	54.3%
All employees are aware of the reporting time lines for financial statements/reports that helps for its timely production	4.3%	29.3%	33.7%	10.9%	39.1%	16.3%	55.4%
The financial statements/reports produced timely has always been relevant in decision making	3.3%	6.5%	9.8%	13.0%	52.2%	25.0%	77.2%
The financial statements/reports produced timely has always been reliable to the users	2.2%	10.9%	13.0%	17.4%	51.1%	18.5%	69.6%
The financial statements/reports produced timely has always been prepared in comparable to budgets, periods and across entities	0.0%	6.5%	6.5%	12.0%	64.1%	17.4%	81.5%
Average	**3.25%**	**16.48%**	**19.73%**	**13.05%**	**49.27%**	**17.93%**	**67.20%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree

Field Data, 2024

The study assessed timeliness as a component of quality of financial statement and the findings revealed that 65.2% of the respondents agreed that financial statements/reports are always produced within schedule and in compliance with the core principles.

The study findings also revealed that 54.3% of the respondents agreed to the fact that financial reports are always availed on time to aid decision making by management, indicating that there are gaps in the timely availability of these reports and the awareness of the reporting timelines hence requiring more attention so as to improve on the quality of the financial statements produced.

The survey result also indicates that 55.4% of the respondents agreed that all employees are aware of the reporting time lines for financial statements/reports that helps for its timely production.

Furthermore, findings also revealed that 77.2% of the respondents agreed to the fact that the financial statements/reports produced timely has always been relevant in decision making.

Findings also indicate that 69.6% of the respondents agreed to the fact that the financial statements/reports produced timely has always been reliable to the users.

Lastly, the survey results revealed a high acceptance on the financial statements/reports produced timely and has always been prepared in comparable to budgets, periods and across entities as 81.5% of the respondents agreed to this statement.

On average therefore, the survey findings indicates that 67.20% of the respondents agreed that all the statements on timeliness where being adhered to in the production of quality financial statements.

However, findings revealed that 33.7% of the respondents disagreed to the fact that all employees are aware of the reporting timelines for financial statements, 30.4% of the respondents disagreed to the fact that financial reports are always availed on time to aid decision making and also 25.0% of the respondents disagreed to the fact that financial statements are always prepared within schedule and in compliance with the core principles. Therefore, to ensure improvement in the quality of financial statements in terms of timeliness, all employees should be made aware of the reporting timelines, reports must be availed on time and produced in compliance with the core principles.

4.5.3 Reliability

The study findings of data on Reliability as a component of quality of financial statement in Nwoya district local government are as presented in the table below;

Table 4.8: Reliability

Reliability	SD	D	SD+D	UD	A	SA	A+SA
The financial statements/reports produced are free from errors or bias	9.8%	38.0%	47.8%	17.4%	32.6%	2.2%	34.8%
The financial statements/reports produced has always been prepared accurately	3.3%	37.0%	40.2%	7.6%	45.7%	6.5%	52.2%
The financial statements/reports produced has always been prepared which are verifiable to details and the source documents	1.1%	8.7%	9.8%	20.7%	56.5%	13.0%	69.6%
The financial statements/reports produced has always been prepared which are comprehensive and capture all the important details	2.2%	14.1%	16.3%	14.1%	55.4%	14.1%	69.6%
The financial statements/reports produced has always been prepared which can be depended on for decisions making	7.5%	20.4%	27.9%	15.9%	37.2%	19.0%	56.2%
The financial reports produced can be relied on for decision making	2.2%	9.3%	11.5%	17.3%	41.2%	30.1%	71.2%
Average	**4.35%**	**21.25%**	**25.58%**	**15.50%**	**44.77%**	**14.15%**	**58.93%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree

Field Data, 2024

The study assessed reliability as a component of quality of financial statement and the findings revealed that only 34.8% of the respondents agreed to the fact that the financial statements/reports produced are free from errors or bias. This indicates that there may be gaps in the fairness of the reports produced since they are merged with errors and biases. Therefore to ensure reliability on these reports, they should be free from errors and biases.

The study also revealed that 52.2% of the respondents agreed to the fact the financial statements/reports produced has always been prepared accurately.

The survey results also indicates that 69.6% of the respondents agreed that, the financial statements/reports produced has always been prepared which are verifiable to details and the source documents and also, the financial statements/reports produced has always been prepared which are comprehensive and capture all the important details.

Findings further indicates that 56.2% of the respondents also agreed to the fact that the financial statements/reports produced has always been prepared which can be depended on for decisions making.

Lastly, the study found out that 71.2% of the respondents agreed that the financial reports produced can be relied on for decision making. This reflects a strong agreement to the reliability of the quality of financial statements in the entity. On average therefore, the survey findings indicates that 58.93% of the respondents agreed that all the statements on reliability where being adhered to in the production of quality financial statements.

However, findings further revealed that 47.8% of the respondents disagreed to the fact that financial statements produced are free from errors or bias, 40.2% of the respondents disagreed to the fact that financial statements produced has always been prepared accurately and 27.9% of the respondents disagreed to the fact that financial statements produced can be depended on for decision making. Therefore, to ensure improvements in the quality of financial statements in terms of reliability, financial statements produced should be free from errors or bias, accurate and should be depended on for decision making.

4.5.4 Understandability

The study findings of data on Understandability as a component of quality of financial statement in Nwoya district local government are as presented in the table below;

Table 4.9: Understandability

Understandability	SD	D	SD+D	UD	A	SA	A+SA
The Financial statements/reports are always presented in a clear and concise way that is easy for users to understand	5.4%	16.3%	21.7%	7.6%	59.8%	10.9%	70.7%
The Financial statements/reports are always presented in standardized accounting terms and formats that is easy to understand	1.1%	12.0%	13.0%	14.1%	50.0%	22.8%	72.8%
The Financial statements/reports are always presented using graphs, charts, tables and other usual aids that enhance easy understanding	11.1%	8.8%	19.9%	19.5%	24.8%	35.8%	60.6%
Users of the financial statements/reports produced has always been able to diligently understand the reports	4.0%	14.6%	18.6%	14.6%	44.2%	22.6%	66.8%
The Financial statements/reports has always been prepared using the language/terms that are generally easy to understand by the users	7.5%	15.9%	23.5%	10.2%	36.7%	29.6%	66.4%
Average	**5.82%**	**13.52%**	**19.34%**	**13.20%**	**43.10%**	**24.34%**	**67.46%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree

Field Data, 2024

The study lastly assessed understandability as a component of quality of financial statement and the findings revealed that 70.7% of the respondents agreed that the financial statements/reports are always presented in a clear and concise way that is easy for users to understand.

Findings also indicates that 72.8% of the respondents agreed to the fact that the financial statements/reports are always presented in standardized accounting terms and formats that is easy to understand. This reflects a strong agreement to the understandability of the financial statements in the entity.

The survey study also revealed that only 60.6% of the respondents agreed that the financial statements/reports are always presented using graphs, charts, tables and other usual aids that enhance easy understanding, indicating that there may be gaps in adequacy of the information provided in the financial statements. Therefore to ensure completeness, the financial statements produced should include graphs, charts, tables and other usual aids that enhances understanding.

Findings further indicate that 66.8% of the respondents agreed to the fact that users of the financial statements/reports produced has always been able to diligently understand the reports.

The study also found out that 66.4% of the respondents agreed that the financial statements/reports have always been prepared using the language/terms that are generally easy to understand by the users.

On average therefore, the survey findings indicates that 67.46% of the respondents agreed that all the statements on understandability where being adhered to in the production of quality financial statements.

However, findings also revealed that 23.5% of the respondents disagreed to the fact that the financial statements has always been prepared using languages that are generally easy to understand and also 21.7% of the respondents disagreed to the fact that financial statements are always presented in a clear and concise way that is easy for users to understand. Therefore, to ensure improvement in the quality of financial statements in terms of understandability, the financial statements produced must be clear and concise and in simple languages that is easy to understand.

4.6 Summary results of the quality of financial statements

The study findings revealed that on average, 81.52% of the respondents accepted the statements on relevance, 67.20% accepted the statements on timeliness, 58.93% accepted the statement on reliability and 67.46% accepted the statements on understandability. The study therefore established that on average, the quality of financial statements production in Nwoya District was at 68.78% as noted in the response by the study participants.

4.7 Examining the intervening effects of financial regulatory frameworks

The researcher examined the intervening effects of financial regulatory frameworks to the quality of financial statements produced in Nwoya District local government. An average rating was utilized to determine each response so as to provide a generalized perception of all the respondents.

The study findings of data on financial regulatory frameworks in Nwoya district local government is as presented in the table below;

Table 4.10: Financial regulatory frameworks

Financial regulatory frameworks	SD	D	SD+D	UD	A	SA	A+SA
The district has the relevant policy documents and procedures manuals in place for use.	0.0%	3.3%	3.3%	10.9%	54.3%	31.5%	85.8%
The district complies with all applicable financial laws and regulations in the production of its financial reports	2.2%	12.0%	14.2%	12.0%	50.0%	23.9%	73.9%
Employees are oriented on regulatory framework requirement regarding preparation and presentation of financial statements	4.3%	27.2%	31.5%	12.0%	47.8%	8.7%	56.5%
The financial statements/reports are prepared which are comparable to budget, period and entities as per the regulations	5.3%	14.2%	19.5%	49.1%	23.9%	43.0%	66.9%
The preparers of financial statements understands the regulatory framework requirements	4.9%	22.1%	27.0%	39.8%	23.0%	39.6%	62.6%
Management realizes that financial policies and procedures establish the infrastructure that helps to assure sound financial outcomes.	7.5%	27.9%	34.5%	37.2%	19.0%	56.2%	75.2%
Financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive.	2.2%	11.5%	13.7%	41.2%	30.1%	41.2%	71.3%
Average	**3.77%**	**16.89%**	**20.53%**	**28.89%**	**35.44%**	**34.87%**	**70.32%**

KEY: SD= Strongly Disagree, D=Disagree, NS=Not Sure, A= Agree, SA= Strongly Agree ***Field Data, 2024***

The data on Financial Regulatory Frameworks being one of the Government Policies reveals weak adherence to financial regulations and procedures.

The study assessed the intervening effects of financial regulatory frameworks on the quality of financial statements being produced. Findings revealed that 85.8% of the respondents agreed that the district has the relevant policy documents and procedures manuals in place for use. This reflects a strong agreement to the financial regulatory frameworks intervening the relationship between internal control systems and the quality of financial statement in the entity.

The study findings also revealed that 73.9% of the respondents agreed that the district complies with all applicable financial laws and regulations in the production of its financial reports.

The survey finding also indicates that 56.5% of the respondents agreed to the fact that employees are oriented on regulatory framework requirement regarding preparation and presentation of financial statements.

Findings further revealed that 66.9% of the respondents agreed that the financial statements/reports are prepared which are comparable to budget, period and entities as per the regulations, indicating that there is fairness in adequacy of the financial statements produced being comparable to the budget periods. Therefore the financial statements produced are fairly being aligned to the budget, period and the entities as per the regulations.

The study also revealed that 62.6% of the respondents agreed that the preparer of financial statements understands the regulatory framework requirements.

Additionally, the study also revealed that 75.2% of the respondents agreed to the fact that management realizes that financial policies and procedures establish the infrastructure that helps to assure sound financial outcomes.

Lastly, the survey study also revealed that 71.3% of the respondents agreed that financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive.

On average therefore, the survey findings indicates that 70.32% of the respondents agreed that all the statements on financial regulatory frameworks where being adhered to in intervening the relationship between internal control systems and the quality financial statements.

On the negative perspective however, findings revealed that 34.5% of the respondents disagreed to the fact that management realizes that financial policies and procedures establish the infrastructures that helps to assure sound financial outcomes, 31.5% of the respondents disagreed to the fact that employees are oriented on regulatory framework requirements and 27.0% of the respondents disagreed to the fact that the preparers of financial statements understand the regulatory framework requirements. Therefore, to ensure improvements in the quality of financial statements, employees must be oriented on the regulatory framework requirements and to understand how to use it to prepare financial statements.

4.8 Relationship between internal control systems and quality of financial statements

As stated in the research topic, the main aim of this particular investigation was to establish how internal control systems and their various elements are claimed to explain any changes in the quality of financial statements regularly produced by Nwoya District Local Government. These relationships are therefore and accordingly displayed in the Tables below after carrying out related data analysis systematically.

4.8.1 Inter-Variable/Construct Correlation Coefficients

To establish the relationship between internal control systems (independent variable) and quality of financial statements (dependent variable) in Nwoya District, the researcher conducted Correlation test of association and the results are indicated in Table 4.11 below.

Table 4.11: Correlations analysis

Variable	1	2	3	4
Control Activities(1)	1			
Control Environments(2)	.648**	1		
Risk Assessment & mitigation(3)	.433**	.492**	1	
QFS (4)	**.685****	**.602****	**.375****	**1**
N	92	92	92	92

As reflected in the above table, correlation analysis was conducted to examine the relationships between the study variables. The result revealed a significant strong positive relationship between control activities and quality of financial statement as shown by the correlation coefficient of (r=.685**; p<.01). This implies that improvement in control activities is associated with improvement in quality of financial statement.

The finding also revealed a significant strong positive relationship between control environments and quality of financial statements as reflected by (r=.602**; p<.01). This

suggests that improvement in control environments is associated with improvement in quality of financial statement.

Lastly, the result further indicates a significant weak positive relationship between risk assessment and mitigations and the quality of financial statement as reflected by (r=.375**; p<.01). This implies that improvement in risk assessment and mitigation mechanisms is associated with improvement in quality of financial statement.

4.8.2 Inter-Variable/Construct Regression Analysis Results

To determine the effect of independent variables (internal control system) on the dependent variables (quality of financial statement), the researcher conducted a regression analysis. The researcher ran a model fit to find out the extent to which the model fits the data. This was done by using the model summary from the linear regression analysis.

The variables of this study and their respective constructs were further subjected to SPSS data analysis to help attain its various objectives and answer the related research questions. As stated in other literature (e.g. KTHH, 2015; MDFE, 2019; TKUH, 2021), the [R-Squared] value for collective independent variable constructs, holds an exceptional direction and is the one used.

Table 4.12: Regression Model Summary

Model	R	R Square	**Adjusted R-Squared**	Std. Error of the Estimate
1	.750[a]	.563	**.543**	.37483

Notes: Predictors: Constant; Control Activities; Control Environment; Risk Assessment and mitigation.

Accordingly, the respective results as shown in Table 4.12 above, suggest that Control Activities, Control Environment and Risk Assessment and mitigation; the three components of Internal Control Systems in Nwoya District, collectively explain a change or variation in the quality of its Financial Statements by 56.3%. This is as per the [R-Squared] position displayed in the table; meaning that: the remaining (43.7%) of what takes place in the district's financial statements quality status, is explained by other factors which this particular research did NOT investigate.

4.8.3 ANOVA Analysis Results

To determine whether the differences observed are statistically meaningful or just due to chance, the researcher conducted ANOVA (Analysis of Variance) and the result is as shown in the table 4.13 below;

Table: 4.13: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.745	4	3.936	28.016	.000[b]
	Residual	12.224	87	.141		
	Total	27.969	91			
a. Dependent Variable: Quality of financial statement						
b. Predictors: (Constant), Control Activities, Control environment and Risk assessment and mitigation,						

The data presented in the table of Analysis of Variance (ANOVA) above revealed that the independent variable (internal control system) is a significant predictor and significantly explains the dependent variable (quality of financial statement) as shown by a very low p-value of ($p = .000$; $p<.01$).

4.8.3 Regression Coefficients

Further still, to determine the significant effects of unit changes of the variables of internal control systems on the quality of financial statements, the researcher run a regression.

Table 4.13: Variable-Construct Regression Coefficients

		Unstandardized Coefficients		**Standardized Coefficients**		
Model		B	Std. Error	**Beta (β)**	t	Sig.
1	(Constant)	.750	.286		2.625	.010
	Control Activities	.448	.093	**.459****	4.805	.000
	Control Environment	.218	.089	**.240****	2.448	.006
	Risk Assessment and mitigation	-.114	.084	**-.132****	-1.359	.178

Notes: Dependent Variable: Quality of Financial Statements;
**Correlation significant at 0.01 level;
*Correlation significant at 0.05 level (2-tailed).

Analysis of the regression coefficient indicates that control activities have a positive significant effect on the quality of financial statement. This implies that a unit increase in control activities leads to a positive increase in quality of financial statement by 0.459 as reflected by ($Beta = .459$; $p<0.05$).

Furthermore, findings also indicate that control environments have a significant positive effect on the quality of financial statements. This also implies that a unit increase in control environments leads to a positive increase in the quality of financial statement by 0.240 as reflected by (Beta = .240; $p<0.05$).

Therefore, on the basis of the three (3) elements of internal control systems and their statistical-Beta (β) values, the Regression Equation for this particular study can now be stated as follows:

Quality of Financial Statements = (0.750 + 0.459 Control Activities + 0.240 Control Environment - 0.132 Risk Assessment and mitigation + e); in which the value (0.750) is a constant as shown in Table 4.12 above and (e) is a statistical error factor.

4.9 Intervening effect of financial regulatory frameworks on the relationship between internal control systems and quality of financial statements

Test of Intervening effect was performed through the PROCESS Procedure to determine the intervening effect (Hayes, 2022). The result of the Intervening effect is as presented in table 4.14 below;

Table 4.14: Intervening effect

Model Summary						
P	R	R-sq	MSE	F	df1	df2
.0000	.7796	.6078	.0997	68.9651	2.0000	89.0000
Model	Coeff	se	t	p	LLCI	ULCI
Constant	.6713	.2406	2.7900	.0064	.1932	1.1494
Quality	.3676	.0726	5.0611	.0000	.2233	.5119
Fin. Reg. Fr'wks	.3805	.0652	5.8326	.0000	.2509	.5102

Notes: LLCI (Lower level confidence interval)
ULCI (Upper level confidence interval)

As presented in table 4.14 above, Intervening analysis was conducted using the PROCESS macro (Model 4) to examine the intervening effect of financial regulatory frameworks on the relationship between internal control systems and the quality of financial statements. Bootstrapping with 107 samples and a 95% confidence interval was employed. Results indicated that internal control systems significantly predicted financial regulatory frameworks with (R^2 =.0726, p=0.0000). Financial regulatory frameworks also significantly predicted the quality of financial statements while controlling for internal control systems with (R^2=.0652, p=0.0000). The total effect of internal control systems on the quality of financial statements was significant at (R^2 =.2406, p=0. 0064). The indirect effect of internal control systems on

the quality of financial statements through financial regulatory frameworks was (R2=.6078), with a bootstrap 95% confidence interval (LLCI =0.2509, ULCI = 0.5102).

The result shows that financial regulatory framework has significant positive effect on the relationship between internal control systems and quality of financial statements since the LLCI 0.2509 and ULCI 0.5102 does not include zero values.

CHAPTER FIVE

DISCUSSIONS OF FINDINGS

5.1 Introduction

This chapter presents the summary of study findings and discussions on the four specific objectives of this study which were: to assess the internal control systems put in place in Nwoya DLG, to examine the level of quality of financial statements of Nwoya DLG, to establish the relationship between internal control systems and quality of financial statements in Nwoya DLG and to examine the intervening effect of financial regulatory frameworks on the relationship between internal control systems and quality of financial statements in Nwoya DLG.

5.2 Discussions on Research Findings

Under this section, the researcher discussed the study findings as detailed below:

5.2.1 Internal control systems practices in local governments

The study found that internal control systems was being practiced in the production of quality financial statements in Nwoya District Local Government with dimensions such as: control activities, control environments and risk assessments and mitigations being observed. This suggests that internal control systems was being adhered to by the responsible staffs in Nwoya District as a way of improving the quality of financial statements produced by the local government. This finding is in agreement with a study by Cook, (2021), who found in his study that if the internal control system is implemented with one of the objectives of the organization, the reliability of financial reporting will be achieved.

5.2.1.1 Control Activities

The study showed that majority of the respondents agreed that the responsible staffs within Nwoya District in ensuring the production of quality financial statements were practicing control activities. The finding revealed that majority of the respondents accepted that the availability of control activities improve the quality of financial statements produced by Nwoya District. This finding suggests that staffs were adhering to control activities as one of the constructs in internal control systems leading to the production of quality financial statements. This finding is in agreement with a study by Julius et al, 2024 on Relationship between Control Activities and Financial Performance of Municipal Urban Councils in Northern Uganda, who revealed that control activities positively affects the quality of financial statements produced.

5.2.1.2 Control Environment

The study result also established that local governments, Nwoya District inclusive were adhering to the internal control systems and the largest proportion of respondents accepted that the availability of control environment can improve the quality of financial statements produced in their local governments. The finding suggests that control environment were being adhered to by the responsible staffs since it forms the basis for production of quality financial statements to the end users and as it can be implied that Nwoya District local government produces quality financial statements. This finding is in line with studies by Martini et al., (2022), who found that Internal Control System practices has an effect on the quality of financial statement information.

Agaba Devis can also relate the finding with a study in his study of Internal Control Environment and Financial Performance of Kitgum Municipal Urban Council, Northern Uganda that revealed a significant positive relationship between internal control environment and financial performance. (Council, 2024)

5.2.1.3 Risk Assessment and mitigation

The finding further revealed that risk assessment and mitigation was being practiced within the different entities in Nwoya District, because it plays a critical role in ensuring the production of quality financial statement. A large proportion of the respondents accepted that risk assessments are being used by the responsible staffs, and if managed well can improve creativity and improve the quality of financial statements.

This study finding is supported by a study by Kabweine et al (2023), carried out in Kabale municipal council, Kabale district, that recognized the importance of risk assessment and mitigation for the production of quality financial statements.

The results are further supported by studies by Ntahondereye et al (2024) on the Effect of Risk Assessment as an Element of Internal Control System on the Quality of Financial Reporting Information in Local Governments of Rwanda reveals that found out that Risk assessment as a component of the internal control system allowed management to stay focused on the entity's pursuit of its operation and produce high-quality financial reporting.

5.2.2 Quality of financial statements in local governments

The study established that the different entities in Nwoya District were producing moderate quality financial statements. The measures for the quality financial statements included: relevance, timeliness, reliability and understandability among others of the financial statements. This finding suggests that quite a good proportion of the staffs believed that the quality of financial statements produced by the district could be depended on for decision making since they are of quality.

This finding is in line with a study by Arens et al, (2014); Boynton et al, (2006), which identified reliance on financial statements, which have been audited to obtain a guarantee of reliability of financial statements that are used to support decisions in lending Users of financial statements. This study finding also relates to a study by Sundiarianti et al, (2015) in their study of the Factors influencing the information quality of local government financial statement and financial accountability that reported that the Quality of financial reporting is complete and transparent information, designed not misleading to users.

5.2.2.1 Relevance

The finding revealed that the financial statements produced by Nwoya District were moderately relevant for end users to rely on for making informed decisions. The identified relevant indicators are predictive in value if it can be used as an input to predict future outcomes.

This finding is in agreement with studies by Andra and Anca, (2014) of financial accounting quality and its defining characteristics that noted that financial accounting quality cannot be uniquely defined and that financial information is of good quality when it enhances the characteristics of relevance, reliability, timeliness, understandability, among others.

5.2.2.2 Timeliness

The study finding established that most of the financial statements produced by Nwoya District were timely to necessitate proper decision making by its users. The major contributor to the timeliness of report production is the good behavior of employees. This finding suggests that there was timeliness exhibited in the production of financial statements in Nwoya district. This is a good finding because effective decision makings is dependent on the timely availability of the financial report

The finding of this study is supported by studies by Mahmut Kargin et al (2011), on the effect of Timeliness of reporting and the quality of financial information who noted that financial statement type and income have significant impact on timely reporting financial statements of selected firms. Andra et al., (2014), who established that timeliness is desirable but is not as critical as relevance, can also relate this finding to study

Further still, this finding is also in agreement with a study by Bean, (2023) pointed out in the Auditor General's report for Local Governments which emphasized that timely financial reporting is important for accountability and transparency to stakeholders.

5.2.2.3 Reliability

The study result further showed that there was moderate reliance on the financial statements produced in Nwoya District. The majority of the respondents agreed that the financial statements produced could be relied on for decision-making.

This finding is in agreement with a study by Trung Nguyen et al., (2024) on the effects of financial statements reliability on firms performances, that noted that Reliable financial statements provide useful information to users in making their decisions.

5.2.2.4 Understandability

The study found that the end users of the financial statements were able to understand the report produced. The majority of the respondents accepted that the users understand the financial statements produced. This finding is in agreement with a study by Herath et al (2017) that revealed that financial reports when classified characterized, presented clearly, and concisely results into proper understanding.

Furthermore, the finding of this study can be related to a study by San and Susanto, (2021), who noted that a governments' financial statements is said to be understood when information

presented in financial statements can be understood by users and expressed in terms that are adjusted to the limits of understanding of users.

5.2.3 Relationship between internal control systems and quality of financial statements

The study findings revealed that there was a moderate positive significant relationship between internal control systems and quality of financial statements in Nwoya District; this means that internal control systems lead to a slight improvement in the quality of financial statements produced within the district. This was a good finding given the difficult and selfish working environment of Nwoya District coupled with the interaction between several other factors that influence quality of the financial statements that are produced.

This finding is in agreement with a study by Epalat (2018), who examined the effect of internal control environment on the financial performance of companies quoted in the Nairobi Securities Exchange, which revealed a significantly positive association between internal control environment and financial performance. The finding according to Rafat (2018), also noted a positive effect on the quality of financial reporting of banks in Jordan while examining the impact of internal control systems on the quality of bank's financial statements in Jordan.

Further still, this finding is also supported by a study by Ajao & Oluwadamilola (2020), who measured the degree of the relationship between the internal control and the quality of quality of financial reports of insurance industry in Nigeria and noted that there is a statistically positive significant impact on the quality of financial reporting of insurance industry in Nigeria.

5.2.4 Intervening effect of financial regulatory frameworks on the relationship between internal control systems and quality of financial statements

The study finding further revealed that financial regulatory frameworks had a moderate positive influence on the relationship between internal control systems and quality of financial statements. The model summary analysis result revealed a variance in the R squared value of 0.6078, an indication that financial regulatory frameworks intervenes the relationship between internal control systems and the quality of financial statements. This finding suggests that financial regulatory frameworks like accounting standards, GAAP, PFMA 2015, among others affects the relationship between internal control systems and quality of financial statements. This was a good finding since the financial regulatory frameworks are known to

play key roles in shaping the behaviors, work attitude and commitment of employees towards the attainment of quality financial reports production.

This finding is supported by a study by Stephen et al (2013), on the association between accounting standards, legal framework and the quality of financial reporting by a government ministry in Uganda who revealed that financial regulatory frameworks play an important role in improving the quality of financial statements produced by local governments.

Further still, findings by Kongola & Edmand (2022), also revealed empirical evidence that established a relationship between quality of financial statements and existing legal frame work as it regulates its content, format, nature, frequency and the users of such information. However, it does not identify which of these laws/regulations contributed more to the quality of financial statements in LGs in Uganda.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents a summary of key findings, conclusions, recommendations and suggest areas for further studies based on the four specific objectives of this study which were: to assess the internal control systems put in place in Nwoya DLG, to examine the level of quality of financial statements of Nwoya DLG, to establish the relationship between internal control systems and quality of financial statements in Nwoya DLG, and to examine the intervening effect of financial regulatory frameworks on the relationship between internal control systems and quality of financial statements in Nwoya DLG.

6.2 Summary of Key Findings

The study sought to establish the relationship between internal control systems and quality of financial statements in Nwoya District Local Government. The followings were the key study findings from the data analysis and interpretation of results:

The study revealed a moderate level of internal control systems and also a moderate level of the quality of financial statements being produced in Nwoya District Local Government.

The study found moderate significant positive relationship between most of the constructs of internal control systems (control activities and control environments) and quality of financial statements except risk assessments and mitigation which had a weak relationship with the quality of financial statements.

The study further found out financial regulatory frameworks has a significant intervening effect on the relationship between internal control systems and quality of financial statements.

6.3 Conclusions

The purpose of the study was to investigate the effect of internal control systems on the quality of financial statements in Nwoya District Local Government. The conclusions of this study were generated based on the four study objectives.

The study concludes that internal control systems are being practiced in Nwoya District Local Government and being a quality improvement approach, it affects the quality of financial statements produced. The administrative units within the district to ensure production of quality financial statements should implement internal control systems practices such as control activities, control environments and risk assessments and mitigation.

The study revealed that internal control system practices with the highest impact on quality of financial statements production was control activities followed by control environments. Local government administrative units should adhere to all the various internal control systems dimensions to ensure high quality financial statements production.

The study further concludes that there is moderate quality of financial statements being produced by Nwoya District Local Government. There is relatively high level of relevance and moderate level of reliability on the financial statements due to the ability to make informed decisions, predicts the future, fairly accurate statements and less errors and bias in the reports produced.

The identification of the moderate significant positive relationships among most constructs of internal control systems except risk assessments and mitigation and quality of financial statements signifies the integral role that each component plays in contributing to the overall financial reporting of Nwoya District Local Government. Building upon the relationships found, the study concludes that most individual constructs of internal control systems except risk assessments and mitigation exert a significant positive effect on the quality of financial statements. This suggests that a strategic and well-implemented internal control system contributes not only to the quality of financial reports produced but also to the District's ability to achieve its financial reporting goals and objectives. The positive effects emphasize the comprehensive impact of internal control systems on various aspects of quality of financial statement.

Finally, the study concludes that financial regulatory frameworks put in place to guide operations have a moderate positive intervening influence on the relationship between internal control systems and quality of financial statements. This result highlights the important nature

of financial regulatory frameworks, demonstrating that the effectiveness of internal control systems can be influenced by the prevailing financial regulatory frameworks put in place. The identification of financial regulatory frameworks as an intervening factor adds depth to the understanding of how such government policies shapes the impact of financial statements productions.

Conclusively therefore, the study of internal control systems and quality of financial statements production has provided a comprehensive examination of the quality of financial statements, internal control systems, and the intervening effect of financial regulatory frameworks. The identified relationships and intervening effects offer actionable insights for Nwoya District Local Government to strategically enhance its financial control practices, reports productions and the involvement of frameworks for a successful service outcome. These findings contribute not only to the academic understanding of internal control systems but also provide practical implications for Nwoya District Local Government's ongoing pursuit of quality financial statements' production.

6.4 Recommendations

According to the findings, the following are recommended:

The district should ensure that there is adherence to the control activities put in place as an improvement in adherence to control activities leads to improvement in quality of financial statements.

The district should ensure that there is adherence to the control environments put in place as an improvement in adherence to control environments leads to improvement in quality of financial statements.

There should also be focus on control environment in terms of monitoring system for compliance, planning and budgeting since it has a significant positive influence on the quality of financial statements.

The district should also ensure that the Financial Regulatory Framework is followed when preparing financial statements. This is because it has a positive influence on the relationship between internal control systems and quality of financial statements.

6.5 Areas for further Research

Based on the study findings, the researcher suggests that further research be conducted in the following areas:

i. There should be research to establish the relationship between control activities and quality of financial statements.

ii. There should also be a research to establish the relationship between internal control systems and quality of financial statements using mixed methods approach.

iii. There should be additional study on other government policies other than financial regulatory frameworks and quality of financial statements.

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APPENDICES

Appendix A: Questionnaire

INTERNAL CONTROL SYSTEMS AND QUALITY OF FINANCIAL STATEMENTS IN LOCAL GOVERNMENTS IN NORTHERN UGANDA: THE CASE OF NWOYA DISTRICT LOCAL GOVERNMENT

Dear Sir/Madam,

I am a student of Gulu University undertaking a Masters of Science in Finance Degree. As indicated above, that is the area of research investigation I intend to carry out.

The purpose is therefore to request you kindly to support this investigation on the basis of your technical knowledge and experience. Please this is to also guarantee that whatever information you provide will be kept strictly confidential since this is for purely academic purposes.

Thank you in advance for your cooperation.

Ocen George
0782602033
Email: georgeocen@gmail.com

Section A: Biographical Background

Please tick the appropriate box against each statement of inquiry

1. Gender: (a) Male ☐ (b) Female ☐
2. Age Bracket in years: (a) 25 and below ☐ (b) 26-35 ☐ (c) 36-45 ☐
   (d) 46-60 ☐ (e) 61and above ☐
3. Marital Status: (a) Single ☐ (b) Married ☐ (c) Divorced/Separated ☐
   (d) Widowed ☐
4. Education level: (a) Certificate ☐ (b) Diploma ☐ (c) Degree ☐
   (d) Others ☐
5. Period served in years (with NDLG): (a) Less than 1yr ☐ (b) 1-5yrs ☐
   © 6-10yrs ☐ (d) More than 10yrs ☐
6. Location: (a) Headquarter ☐ (b) Town Council ☐ (c) Sub-County ☐
   (d) Health facility ☐
7. Department: Specify ……

Section B: Financial Statements Quality

For sections B and C and their components, please tick the items according to the following format.

Strongly Disagree (SD), Disagree (D), Undecided (UD), Agree (A), Strongly Agree (SA).

Please tick only one scale.

No	Statement of Inquiry					
	SECTION B1: RELEVANCE	**SD**	**D**	**U**	**A**	**SA**
1	The financial statements/reports produced provides useful information that helps users to make informed decisions					
2	The financial statements/reports produced can be used to predict future outcomes of events					
3	Financial statements/reports produced can be used to provide feedbacks to the relevant stakeholders					
4	The financial statements/reports produced points out clearly the purpose for which they are produced					
5	The financial statements/reports produced enables the users to determine the financial performance of the entity					
6	The financial reports provides all the necessary information about the entity					
	SECTION B2: TIMELINESS	**SD**	**D**	**U**	**A**	**SA**
1	Financial statements/reports are always produced within schedule and in compliance with the core principles					
2	Financial reports are always availed on time to aid decision making by management					
3	All employees are aware of the reporting time lines for financial statements/reports that helps for its timely production					
4	The financial statements/reports produced timely has always been relevant in decision making					
5	The financial statements/reports produced timely has always been reliable to the users					
6	The financial statements/reports produced timely has always been prepared in comparable to budgets, periods and across entities					

	SECTION B3: RELIABILITY	SD	D	U	A	SA
1	The financial statements/reports produced are free from errors or bias					
2	The financial statements/reports produced has always been prepared accurately					
3	The financial statements/reports produced has always been prepared which are verifiable to details and the source documents					
4	The financial statements/reports produced has always been prepared which are comprehensive and capture all the important details					
5	The financial statements/reports produced has always been prepared which can be depended on for decisions making					
6	The financial reports produced can be relied on for decision making					
	SECTION B4: UNDERSTANDABILITY	**SD**	**D**	**U**	**A**	**SA**
1	The Financial statements/reports are always presented in a clear and concise way that is easy for users to understand					
2	The Financial statements/reports are always presented in standardized accounting terms and formats that is easy to understand					
3	The Financial statements/reports are always presented using graphs, charts, tables and other usual aids that enhance easy understanding					
4	Users of the financial statements/reports produced has always been able to diligently understand the reports					
5	The Financial statements/reports has always been prepared using the language/terms that are generally easy to understand by the users					
	SECTION C1: CONTROL ACTIVITIES	**SD**	**D**	**U**	**A**	**SA**
1	There is clear segregation of duties and responsibilities in processing and approval of transactions					
2	There are regular internal/external audits to test compliance to internal controls systems with recommendations or actions to be undertaken					
3	There is periodic reconciliation of balances(banks/ledgers reconciliation statements) carried out					
4	There are routine verifications of inventories and assets					
5	Employees are well trained on policies and procedures to follow for effective internal control systems					
6	There is use of passcodes/passwords for access of financial records					

7	Employees recruitment is based on their level of qualification, specialization and experience					
8	The entity has a good records management system					
	SECTION C2: CONTROL ENVIROMENT	**SD**	**D**	**U**	**A**	**SA**
1	There are ethical /core values that influence the effectiveness of internal control systems					
2	There is culture/philosophy that influence the effectiveness of internal control systems					
3	There are standards that provides the basis for effective internal control systems					
4	There are processes/structures that provides the basis for effective internal control systems					
5	There are broad and far-reaching effects that influence the effectiveness of internal control systems					
6	Employees are intrinsically motivated to completing tasks that influence the effectiveness of internal control systems					
7	There is a system in place to monitor compliance with policies and procedures					
8	All the activities in the organization are performed according to the approved work plan and budgets					
	SECTION C3: RISK ASSESSMENT AND MITIGATION	**SD**	**D**	**U**	**A**	**SA**
1	Employees understands the risks that affects operations in the entity					
2	There is risks identification mechanisms in place					
3	There is a risk assessment committee to continuously assess the internal and external environments for possible risks					
4	There are risk mitigation measures for identified and assessed risks in place					
5	Employees evaluates how organizational identity assesses and manages risks					
6	Employees stays focus on the entity's goals and objectives to produce positive results					
7	The entity has sufficient, competent and knowledgeable staffs to manage all activities					

8	All employees are involved in developing work plans and budgets					
	SECTION D1: THE FINANCIAL REGULATORY FRAMEWORKS	**SD**	**D**	**U**	**A**	**SA**
1	The district has the relevant policy documents and procedures manuals in place for use.					
2	The district complies with all applicable financial laws and regulations in the production of its financial reports					
3	Employees are oriented on regulatory framework requirement regarding preparation and presentation of financial statements					
4	The financial statements/reports are prepared which are comparable to budget, period and entities as per the regulations					
5	The preparers of financial statements understands the regulatory framework requirements					
6	Management realizes that financial policies and procedures establish the infrastructure that helps to assure sound financial outcomes.					
7	Financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive.					

THANK YOU FOR YOUR TIME