UGANDA MANAGEMENT INSTITUTE

INTERNAL CONTROL SYSTEM AND BUDGET OUTPUT OF PUBLIC SECTOR

ORGANISATONS IN UGANDA: A CASE OF SOROTI MUNICIPAL COUNCIL

BY

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DECLARATION

I hereby declare that this dissertation is my original piece of work and has been prepared considering, and acknowledging the views of different scholars with writing in similar area of study through quotations and references and has not been submitted for any award/publication by anybody to any institution of higher learning/University.

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APPROVAL

This dissertation titled: Internal control systems and budget output in public sector organizations, a case of Soroti Municipal Council has been for examination under our guidance as Uganda Management Institute supervisors.

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DEDICATION

This piece of work is dedicated to my family, who endured my sustained absence for a long time during the tedious, yet enriching academic journey and will forever remain my friends in the world of academia.

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LIST OF ABBREVIATIONS

AATU   :   Association of Accounting Technicians of Uganda

AG   :   Auditor General

BOQ   :   Bills of Quantities

COBIT   :   Control Objectives for Business and Information Technology

COSO   :   Committee of Sponsoring Organization

FCPA   :   Foreign Corrupt Practices Act

FINMAP   :   Financial Management and Accountability Program

ICPAU   :   Institute of Certified Public Accountants of Uganda

IFAC   :   International Federation of Accountants

IFMS   :   Integrated Finance Management System

IPPS   :   Integrated Personnel Payroll System

ISA   :   International Standards on Auditing

LG   :   Local Government

LGBFP   :   Local Government Budget Framework Paper

LGFAR   :   Local Government Financial and Accountability Regulation

LGFCA   :   Local Government Finance Commission Act

LST   :   Local Service Tax

MDAs   :   Ministries, Departments and Agencies

MNC   :   Multi-National Corporation

MoFPED   :   Ministry of Finance, Planning and Economic Development

MoPS	:	Ministry of Public Service
MoWT	:	Ministry of Works and Transport
NAADS	:	National Agricultural and Advisory Services
NMS	:	National Medical Stores
NPM	:	New Public Management
OECD	:	Organization for Economic Cooperation and Development
OWC	:	Operation Wealth Creation
PAC	:	Public Accounts Committee
PEAP	:	Poverty Eradication Action Plan
PEFA	:	Public Expenditure and Financial Accountability
PPDA	:	Public Procurement and Disposal Act
SMC	:	Soroti Municipal Council
SPSS	:	Statistical Packages for Social Sciences
TASO	:	The Aids Support Organization
UBOS	:	Uganda Bureau of Statistics
USMID	:	Uganda Support to Municipal Infrastructure Development

ABSTRACT

The study investigated internal control system and budget output of public sector organizations in Uganda and Soroti Municipal Council was a case study. The study objectives were; to establish the contribution of control environment on budget output, to find out what effect risk assessment has in achieving desired output of the budget cycle and to ascertain the relationship between control activities and budget output. The stakeholder theory was adopted to guide this study. The target population was 553 people. The target population was stratified; simple random and purposive sampling techniques were used to arrive at the sample of technical staff, political leadership, and other stakeholders (business community, opinion leaders, and citizenry). The study used primary, secondary and tertiary sources for data collection; interview guide was used for face to face interview, key informants' interview and focused group discussions. A self- administered questionnaire was used to collect data while a check list was used for the observation method. The study attained 78% response rate. Quantitative data was analyzed in a numerical format by the use of a computer program presented in tables. Qualitative data analysis was based on an interpretive philosophy, made a general statement on how categories, groups or themes were related as they existed. The findings of the study revealed that there was a significant positive relationship between internal control systems and budget output; a significant positive relationship between Control environment and budget output, there existed a significant but weak positive relationship between risk assessment and budget output and a significant positive relationship between control activities and budget output. Therefore the study recommended that there was need for the public sector entities to have strong control environment to improve on budget output in revenue collection, to heighten on scale of risk assessment that can lead to increased budget output in resource utilization and good control activities that enhanced budget output through increased quality service delivery. Therefore, Council should conduct regular control system reviews, learn from the outcome and improve on the policies. The correlation analysis confirmed a significant positive relationship between the variables and therefore, a change in internal control system brought in a change in budget output.

1.1 Introduction

This study was to establish the relationship between internal control systems and budget output in public sector organizations, a case of Soroti Municipal Council. This introductory chapter discussed the background of the study, the statement of the problem, the purpose of the study, the objectives of the study, the research questions, the hypotheses of the study, the scope of the study, the significance of the study, the justification of the study and operational definition of terms and concepts used in the study.

In view of this gap (understaffing, inadequate human and financial capacity to execute duties effectively, monitoring, low local revenue collection accounting for only 3% of total revenue needs, failure to utilize funds allocated, delays in project procurement), an urgent intervention was necessary; this study delved into the facts available and established the relationship between internal control systems, and budget output.

1.2 Background of the study

This section of the study comprised the historical, theoretical, conceptual, and contextual background/perspectives of the study

1.2.1 Historical background of the study

In the early years, from 1900s to 1936, the intention of internal control was to guard assets mainly cash from misappropriation or theft by employees, (Tipgos 2002). The idea has gone through evolution from being limited to "internal check" with particular concern on fraud detection and clerical errors, (Noorvee, 2006). In 1936 American Institute of Certified Public Accountants(AICPA), issued a communiqué which defined internal control and in 1949 broaden

the definition as "the plan, coordinated method and procedures adopted to safeguard assets, check accuracy and reliability of data, encourage operational efficiency and encourage devotion to approved management policies",(Tipgos, 2002:4)

The major laws, technical direction, and information that focus on internal control are;

Foreign Corrupt Practices Act, FCPA of (1977), Johnson, G. (1987), was passed after the discovery that to facilitate foreign trade, bribe were offered by public companies to buy their way for export sales, understanding that these bribes worked out due to slackness in internal controls, and to raise alertness in an effective internal control structure.

Secondly, a feedback of the Foreign Corrupt Practices Act gave rise to the Tread way Commission, Committee of sponsoring organizations (COSO) and Control Objectives for Business and Information Technology, COBIT(1995), cited in Cohen, (2002), intended to find out the causes of the deceitful financial reporting, and to give suggestion to trim down its occurrence. The steps in developing a system of internal control is preceded by a control philosophy based on the major control concept recognized that includes; the organization objectives, procedures, risks and to agree on risk materiality, design, test and implement the internal control system, to monitor, evaluate and refine the system in preparing the components of internal controls (control environment, risk assessment, control activities, information, and communication and monitoring)

Local Government Act (1997) defined a budget as a yearly work plan of a local authority income from revenue of a council (tax revenue and non-tax revenue), central government grant, other revenue sources and the proposed plan the total revenue will be spent on following the laid down objectives, needs, and priorities. A budget is a part of the planning process, therefore, a comparison between actual performance and budgeted performance was needed and to achieve this objective, budgetary control is used. Budgetary control is a system of financial performance measurement

which involved uninterrupted assessment of real results against budgets to form a foundation of revision of values and taking remedial actions. The main features in a budgetary control includes; responsibility clearly defined for each manager, manager's actual performance constantly compared with budgeted results, immediate corrective action be taken if the actual results defer from the planned results, departures from the budget was only officially recognized if when accepted by top management and variations that are unexplained for are subjected to individual investigation.

The Local Government Financial and Accounting Regulations, (2007) states, Local governments be obliged to operate as a requirement a rational budgeting through a joined three year budgeting and planning agenda and focus on planned result of disbursement by setting objectives, goal and measure performance and output.

1.2.2 Theoretical background of the study

The theory adapted for this study was the stakeholder theory developed by Freeman in 1984, with the main features being supervision, welfare of stakeholders and lasting success of the organization. The conservative meaning of a stakeholder is "any group or individual who can affect or is affected by the accomplishment of the organization's objectives" (Freeman 1984). Friedman (2006) stated that the organization itself should be thought of as a federation of stakeholders and the justification of the organization should be to deal with their (stakeholders) welfare, desires and viewpoints. The stakeholder theory fed into the knowledge gap in management of Public Sector Organizations adopting new approach to steer their entities to world standards for better service delivery.

1.2.3 Conceptual background of the study

The independent variable in this study is internal control system, which is the control, financial and in addition a measure put in place by administration to enforce as far as it can the completeness of dealings, accuracy and consistency of an entity's records and safekeeping of their assets, (LGFAR, 2007).

Control environment

Control environment gave the intention of the organization, which directed the control awareness of the personnel. This foundation communicated authority and structure upon which the other components of internal control are drawn.

Risk assessment

Risk assessment referred to the ability of the organization to identify, analyse, and manage the risk that would hinder the organization reaching its objectives. Risk appraisal is the basis for isolating risk that needs control and the control necessary to deal with them, (IFAC, 2016)

Control activities

Control actions are the system and set of laws an institution puts to use to make sure that necessary activities are undertaken to minimize risk found halting achievement of its objectives. Controls have other objectives and are applied at several managerial and operational levels.

The dependent variable was budget output, the dimensions in this study encompassed, revenue collection targets, absorption level, and quality service delivery. Public Finance Management Act, (2015), defined budget tome an planned activities of source of government revenue and allocation of such resources to government ministries, departments and agencies in form of public expenditure for one financial year.

Budgeting is about making work plans for the future, implementing those work plans and monitoring and evaluating these activities to see whether they agree with the original plan. To realize this, top

management support is paramount, cooperation and motivated middle managers and staff, and a well-structured reporting system present. The fruits do not just accrue automatically; they are worked for as demonstrated in the skill and energy with which planning & coordination, classification of authority & responsibility, communication, control, and motivation is employed, (Kamukama, 2005).

The objective for which a public sector organization prepares a given budget to achieve is the budget output intended as a target to score by the end of the budget period.

Therefore, budget output comprised a set of relationships between management and stakeholders' objectives laid down for specific activities from where monitoring performance is determined. Government ministries, departments and agencies (MDAs) should be responsible for output achieved at end of a period instead of merely attempting to avoid errors by following regulations, process and set standards.

The intervening variable in this study was policy measures by the central government towards the grant transfer to ministries, departments and agencies as in law and to enhance realization of unit objectives. The researcher did not discuss it in this study but suggested it forms an area for the next study.

1.2.4 Contextual background to the study

Budgeting as a tool makes an organization meet its planned objective and to design appropriate control schemes of resources critical for organization success, (ICPAU 2017). Soroti Municipal Council has adopted and implemented the use of Information systems as required in law. The Integrated Personnel Payroll Management System (IPPS),online budgeting system and Integrated Finance Management System (IFMS) were introduced to efficiently, effectively and economically

support council management of its business. The challenges particular with Local Governments, SMC inclusive are categorized as control activities; insufficient enforcement mechanism in collection of property rates, often non-update of valuation rolls and non-payment of possession rates on central government properties to local authorities particularly those under Uganda Land Commission, politicizing service delivery to people, budget reduction and untimely central government release, as reported in the Revenue Enhancement Plan 2014/15: Achievements and Challenges of Soroti Municipal Council.

The Auditor General in 2016 Report, said, "Procurement processes came off as the cross-cutting cause of the delay in project implementation, subsequently causing low absorption of allocations and therefore dismal output in service delivery. "The ideal situation would be a robust budget framework in place in the face of management of public funds and resources in a legal, competent and effective manner (control systems) such that objectives of public programs are achieved by management of the council. According to the three year Development Plan 2010/11-2012/2013, Soroti Municipal Council is made up of three administrative Divisions, they are, Northern, Eastern, and Western Divisions. Soroti Municipal Council is located in Soroti County, and lies on latitude $33.38^{o}$to the East and longitude $1.45^{o}$to the North of equator. It is about 356 km north east of Kampala City and was the third largest town in Eastern Uganda after Jinja and Mbale when it was granted a Municipal status.

1.3 Statement of the problem

Uganda is applauded to have a very good legal formation for Public Finance Management in the sub- Sahara Africa region, (PEFA, 2012). The current legal frame work for budget formulation, implementation and audit is included in the Constitution, (1995), Local Government Act, (1997), Leadership Code, Inspectorate of Government Act, (2002), PPDA, (2003) among other legislation.

The MoFPED jointly with MoPS, MoWT, and PPDA aspire to make better service delivery by having Accounting Officers in person responsible for delivery of performance targets, when funds are made available to them. Performance contracts are agreed upon with senior civil servants down to the level of heads of departments meant to reinforce performance management and augment transparency and accountability, (Budget speech, June 2002 cited in PEFA, 2012)

Soroti Municipal Council like other public sector organizations was faced with challenges among others understaffing and inadequate human and financial capacity to execute duties effectively, monitoring and supervision need funding so that LGs can improve on public service delivery, low local revenue collection accounting for only 3% of total revenue needs, council collected sh751,280,399 and sh703,889,910 for FYs 2014/15 and 2015/16 respectively, failure to utilize funds allocated as reported in the Revenue Enhancement Plan 2014/15, delays in project procurement, implementation and management contained in Soroti Municipal Council Approved Three Year Development Plan 2010/11-2012/13 forward message by the then Mayor and corroborated by the Town Clerk. Unauthorized contract variations, overpayment of salary due to error in IPPS and IFMS and dilapidated infrastructure in Aloet and Pioneer primary schools, (Auditor General Report June 2015). In view of the gap, an urgent intervention was necessary; this study delved into the facts to establish the relationship between internal control systems, and budget output in SMC.

1.3 Purpose of the study

The purpose of this study was to establish the relationship internal control system had in budget output of public sector organizations: a case of Soroti Municipal Council.

1.4 Objectives of the study

The objectives of this study were derived from the purpose of the study onthe basis of many to one;

   i)   To establish the contribution of control environment on budget output.

ii) To find out what effect risk assessment has in achieving desired output of the budget cycle.

iii) To ascertain the relationship between control activities and budget output.

1.5 Research questions

The research questions that this study sought to answer were formulated from the study objectives matching them in the order of the study variables;

i) What is the contribution of control environment on budget output?

ii) What effect risk assessment has in achieving desired output of the budget cycle?

iii) What is the relationship between control activities and budget output?

1.6 Hypotheses of the study

The researcher sought to test the finding of the study premised on an educated guess to the research questions as hypotheses formulated from the variables in the conceptual framework of the study as below;

i. Control environment contributes to a high budget output.

ii. Risk assessment affected achieving desired output of a budget cycle.

iii. Control activities have a relationship with budget output achieved.

1.7 Conceptual Framework

Is a written or visual presentation that: "explains either graphically, or in a narrative form, the main things to be studied-the key factors, concepts or variables and the presumed relationship among them." (Miles & Hubernan, 1994, p 18 cited in Creswell, 2014)

Independent variable   Dependent variable

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┌─────────────────────────────┐           ┌─────────────────────────────┐
│ [Internal Control System    │──────────▶│ Budget Output               │
│ i) Control environment      │──────────▶│ i)Revenue collection        │
│ ii)Risk assessment          │──────────▶│ ii)Utilization/Absorption level │
│ iii)Control activities      │──────────▶│ iii)Quality of service delivery │
│                             │           │                             │
└─────────────────────────────┘           └─────────────────────────────┘
                    │
                    ▼
          ┌─────────────────────────┐
          │ Central Government policy │
          │ on grants/transfers       │
          │                           │
          └─────────────────────────┘
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Figure 1.1 Conceptual Framework

Source: Adapted with modification from planning unit Ministry of Local Government of the Republic of Uganda.

1.8 Significance of the study

Internal control system in public sector organizations, where much steps forward was halted and meticulously documented in Financial Management and Accountability Program (FINMAP) midterm review, (PEFA 2012).The study therefore, would bring in transparency in regard to transfer of conditional grant to higher level Local Governments, given the underlying set of formulae, look into unpredictable vertical allocation (line ministry) that make subsequent horizontal allocation (all LGs) also variable, with attendant benefit to the population of SMC.

The study would close the existing knowledge gap in management of public sector organizations adopting new approach to steer their entities to world standards for better service delivery. Government of Uganda would benefit from this study and the rich literature on public sector management available to provide a platform upon which to address a lag in service delivery.

The study would lead to an award of masters' degree in management studies a requirement in partial fulfillment for an academic program by the Institute and needed for career growth.

The study would provide new knowledge to policy makers, practitioners and scholars on the subject of budget output of projects in public sector entities and foster greater effort towards good budget output, enable realization of reform programs. Results of the study would aid the exploration of policy change in public sector management especially budgeting in public sector entities.

1.9 Justification of the study

The study may be important in making financial plan (budget) against which an entity's actual expenditure and revenue can be compared to measure the variances, as a policy followed to attain objective laid down (budget output) through improved revenue collection, effective utilization of resources and quality of service delivery as a result of efficiency and effectiveness in the management. The study may further help the municipal council to suggest ways of improving the level of revenue collection.

1.10   Scope of the study

The scope of this study consisted of three parts namely; the geographical, the content and time dimensions of the research work as discussed below;

1.10.1 Geographical Scope

The geographical area of this study was Soroti Municipal Council, in Soroti District, Eastern Uganda. It is an urban authority constituting a large portion of a public sector organization and representative of LGs because it was one of the first towns to be granted municipal status and its proximity to the researcher's place of work.

1.10.2 Content Scope

The content dimension of this study was internal control system, its components; that is to say, control environment, risk assessment, the control activities and how they influence budget output in respect to revenue collection, revenue allocation, and service delivery in the budget cycle of Soroti Municipal Council.

1.10.3 Time Scope

The time span of this study was a period of five years from FY 2012/13- 2016/17 with centre of attention on (F/Y 2015/16), three preceding years and one ensuing year for purpose of achieving better evaluation of the effect of internal control system on budget output. The F/Y 2015/16 is of particular interest because final statements have been audited by the office of the Auditor General and report prepared, it revealed a drop in local revenue collected by 6.3%.

1.11 Operational Definitions

The study in the course of its development used the following terms and words in the context given below;

Control environment, is the base that sets the discipline and framework upon which other components of internal control are built.

Risk assessment, is the basis on which to determine risks that need to control and the control appropriate in managing them.

Control activities, are the rules and regulations an organization employees to make sure necessary activities are taken to reduce risks hinder achieving these objectives.

Unconditional grant is a basic grant transferred to LG to fund decentralized services and shall be disbursed as specified in the 7th schedule of the constitution

Conditional grant is transfer which has specific guide, policy and conditions for use.

Equalization grant is the special provision for funding to the least developed districts.

Stakeholder is any assembly or person who can affect or is affected by the success of the organization's objectives.

Revenue collection, income generated by public sector entity from tax revenue, non-tax revenue, donations and central government grants for a given period.

Resource utilization, revenue allocated to the sectors for a period and used for budgeted activities.

Service delivery, output for which budget allocations are made by public sector organizations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literature related to the field of the study, the theory identified as the guiding principle of the study, conceptual framework as a sketch out of dimensions of the study, the context

of the study, the problem statement, a thematic review of data in groups discussing sources of information in themes, objectives and summary of the literature reviewed.

2.1 Theoretical Review

The study adapted and reviewed stakeholder theory; it was developed to try to build a structure that was fast to act in response to the concerns of managers who were being confronted with exceptional levels of ecological turmoil and modify, argued (Freeman1984). The basis of stakeholder administration was to breed methods to manage the diverse groups and interaction that resulted in a strategic trend. Further Freeman (1984) thought that the inspired stakeholder, or stakeholder administration, or a stakeholder shift towards planned management, suggested that managers must originate and put into operation, a process which satisfies all and not only sections who have a stake in the organization. The core task in this process was to supervise and integrate the relations and welfare of shareholders, labor force, clients, suppliers, the public and other parties in a way that guarantee the long-lasting success of the organization. A stakeholder progress is very much designed for active executive of the firm environment, dealings and the encouraged communal good in order to develop firm strategy.

Evan and Freeman (1990) put forward a normative presupposition based on description of stakeholders as: "Those groups who are critical to the sustained existence and triumph of the corporation". It means clients, human resources, supplier, group of people, shareholders and managers. Evan and Freeman call for a redefinition of the purposes of the firm to act as a vehicle for coordinating stakeholders interests. They suggest two values: Stakeholder Theory of the MNC

i) Code of corporate legality, stakeholders must involve themselves in decisions that significantly influence their wellbeing.

ii) The stakeholder financial standard, manager must act in the best interest of the stakeholders as their agent in the welfare of the corporation to guarantee the continued existence of the firm.

For helping stakeholder administration realistic Evan and Freeman suggested a stakeholder board of directors consisting of representatives of five stakeholder groups, and a director who is elected and be trusted with the duty of caring for all stakeholders. The composition of local councils in the administrative structure and three tier corporate governance principles that bestows different roles to Board of Directors, Management and the members supports the theory adopted for the study.

Representation was believed to be logically self-interest and to understand the implication of varied corporate design for achievement or failure, and in mind the following guiding principles; the rule of entry and exit, the rule of governance, the rule of contracting costs, the agency rule, and the rule of limited immortality. The firm should be managed as if it can keep on serving the concern of stakeholders in the course of time. These values signify an ideal guide to actual stakeholders in devising a corporate foundation or agreement required of public servants in senior positions to sign performance agreements to attain acceptable level of output, (PFMA 2015).

2.2 Literature Review

This section of the second chapter reviewed available related literature to internal control, budget output, control environment, risk assessment and control activities on budget output.

2.2.1 Internal control system

Internal controls are designed by a civic company's executive and are administrated and managed by the board, management and all human resources. Internal control aims to assurance (1) proficient operational results; (2) steadfastness of financial reports; and (3) devotion to related rules and

regulations. According to this definition, not-for-profit institutions also need to put up with established operating values to achieve expected results, (LGFAR, 2007).

The employment of resources should be based only on time-honored budgetary screening processes and according to set of laws and policy. Internal control is a management tool, and the execution and supervision of these controls are focal points of work for senior-level managers and participation by all departments. The International Standards Supreme of Audit Institution (INTOSOI, 2011) reported that each head of public sector unit has an responsibility to establish and maintain a system of internal control procedures that afford reasonable assurance to the integrity and reliability of an operation. International Standards on Auditing (ISA) 315 is framed on the view that internal control is more than a set of processes, checks and balances but as well a whole range of values, skill, activities and attitudes, (IFAC, 2016). Therefore, the following are the components of an internal control system. Therefore, as law demands all government entities have rules and regulations that guide their day to day activities.

2.2.1.1 Control environment

Control background gave the message of the organization, which directs the control awareness of the personnel. This platform sets regulation and framework on which other components of internal control are structured. The control atmosphere covers these areas: Integrity and ethical behavior of administration, pledge and know-how of the human resources, board of directors and audit committee active involvement, administration philosophy and operational style in the contemporary era, clear organization structure, assignment of authority and responsibility, a robust human resource policy and practice that promote professional development, (IFAC, 2016).

2.2.1.2 Risk assessment

Risk assessment was intended to discover, scrutinize, and manage the isolated risk that interferes with the organization achieving the objective set in the work plan. Risk evaluation is the back bone for determining the risk that needs a control and the desired control required to manage them, (ICPAU 2017). The risk appraisal processes meant reviewing the organization's approach to business risk or at least those relevant to reporting and assess what, if any, the impact they are likely to have on the output, (Kamukama, 2005).

2.2.1.3 Control activities

Control activities are the set of laws and procedure the organization institutes to ensure that necessary actions are undertaken to bring to minimum risk that would stand in way of the organization to achieve the goal designed. Control has other objectives and can be useful to many institutional and operational levels.

i) Control of usage covers (prevention, detection, and correction controls)

   Preventive control is meant to thwart an error or an irregularity.

   Detective control looks at identifying an error or abnormality which occurred.

   Corrective control is put in place to correct, fix the damage, or lessen the cost of an error or misdeed after the incidence.

ii) Physical control was the safety of the assets themselves, giving right to use to only authorized persons, and at regular intervals reconciling records of the quantity on hand with those recorded in the organizations documents.

iii) Information process control was used to validate and assess precision, fullness, and appropriate authorization of official transactions; general control covers data centre operations, systems software purchase and maintenance, right to use security, and application systems development and maintenance. Application control applies to the processing of

specified application for example, operating a computer program to prepare employee payroll cheques every end of month.

iv) Performance review is any review of carried out on unit performance. The common reviews include; compare actual data recorded to planned data or preceding period data prepared, functional data to financial resource data, and data within department and across various units/branches, functional/operational areas of the organization.

Internal control system are developed to achieve specific objectives, and to safeguard the physical resources of an organization, to make sure accurate, complete and reliable accounting information, to promote functional efficiency, economy and effectiveness, and to enhance compliance with prescribed managerial and organizational policies (LGFAR 2007). In addition, Wahab, (2005), internal control has inadequacies that include;

i) The person to whom authority was vested can misuse the authorization control to their interest.

ii) Internal control system depending on segregation of duties can be abused by collusion of the staff to circumvent control.

iii) Human error due to misunderstanding, carelessness, fatigue may undermine the effective operation of the internal control system.

iv) Internal control systems are intended to cover popular, routine transactions and procedure may change one time rendering the control system inadequate.

Makaatu, S. (2017), in an Association of Accounting Technicians of Uganda (AATU) workshop presentation on financial risk management in local government, defined risk as the likelihood of an undesired thing happening with a negative long term effect on achieving objectives of an entity and is ascertained in terms of effect on the organization and the chance of its occurrence. Financial risk

management is, 'a procedure by which decision makers accept, reduce the magnitude, transfer the burden and avoid risk.' It means identifying, assessing and prioritizing the financial risk with the objective of assurance that misfortune does not prevent the effort of achieving the goals of the local government, (Makaatu, 2017).

2.3 Budget output

The Budget Act (2001), states that, a budget is the plan by which central authority sets the parameter to efficiently collect revenue and allocate the expenditure of resources collected among departments to achieve national objectives. Estimates must include revenue which is realistic from predictable conditions and disbursement which was to be incurred under efficient financial administration and control, (LGFAR, 2007). Therefore the objective for which a public sector entity prepares a given budget to achieve is the budget output intended as a target by the end of the budget period.

The objective of spending ought to be clearly spelt out in the budget speech, and measurable goals set.

According to (ICPAU 2017), budgets are designed to show organizational resource capabilities, aid decision making and inculcate attitude of cost consciousness as well as the behavioural aspects that include;

i) Goal setting stage where people in the organization are responsible for determining objectives and setting goals and achieving them

ii) Goal congruence which ensures compatibility of individual and organizational goals

iii) Participation in joint decision making by all members of the organization

iv) Communicating the budget by disseminating the approved operational objectives to all members of the organization

v) Cooperation and coordination requires wide, diverse skills and talents for success

vi) Performance reports are issued timely since it has a reinforcing effect on employee morale.

Budgets are prepared by public organizations not only as a requirement in law but as a guiding tool to control resources at the manager's disposal, and have served the purpose for which they are intended.

Table2. 1: Stages of the budget process

Stage	Activity	Responsibility Centre	Expected output
Stage 1	Consultation with the Central Government	MoFPED	National priorities, resource allocations
Stage 2	Consultation with Central Government at Regional Level	MoFPED, MoLG, LGFC	Draft template of LGBFP
Stage 3	Proposal of Policy	EC, Budget Desk	Policies & indicative ceiling agreed
Stage 4	Local Government Budget Conference	Council, HoDs, NGOs/CSOs	Agree on priorities
Stage 5	Costing priorities	Budget Desk, HoDs	Detailed cost activities
Stage 6	Review of cost of priorities	Budget Desk, EC	LGBFP approved

Stage 7	Budget presentation	Chairperson Council	Budget presented
Stage 8	Budget scrutiny	Standing Committees	Recommendations for approval
Stage 9	Budget debate and approval	Full Council	Budget approved
Stage 10	Budget Publication and Communication	Chairperson	Budget signed
Stage 11	Budget implementation and monitoring	HoDs	Activity work plans prepared
Stage 12	Budget evaluation and review	HoDs, EC,Councilors	Budget monitoring, evaluation & review

Source: Adapted from LGFAR, 2007

2.3.1 Local revenue

AG report, (2015) reported less amount of collection of local revenue, Regulation 32 of the LGFAR, 2007 expects local councils to ensure collection of the planned local revenue in an approved manner. Assessment of local revenue target reported significant drop in collection of this revenue in 59 council totaling to sh23, 974,340,977. The small local revenue collection was as a result of failure to carry out revenue enumeration and assessments, lack of enforcement of contracts with out-sourced revenue collectors, below capacity staffing and improper way of keeping revenue records. There was little sign of effort to ensure effective collection of local revenue.

Table 2.2 Showing trends of local revenue performance (Ush)

Source	2010/11	2011/12	2012/13	2013/14
LST	6,542,312.00	7,115,367.00	10,786,472.00	10,113,773.00
LGHT	928,320.00	1,163,667.00	1,065,025.00	1,278,958.00
Property tax	31,557,087.00	29,289,945.00	33,648,810.00	38,678,504.00
User fees	21,975,206.00	20,931,123.00	29,004,195.00	34,058,325.00

Licenses	6,564,179.00	15,559,527.00	8,807,180.00	11,036,713.00
Others	43,478,223.00	43,481,781.00	56,041,713.00	57,837,328.00
Total	**111,045,327.00**	**117,541,410.00**	**148,483,957.00**	**153,003,604.00**

Source: Extract from Audited Final Accounts of FY 2015/16

Note: Although this report is for F/Y 2014/15, the performance of local revenue is not reflected because the final accounts were still being analyzed.

2.3.2 Grant transfer.

The LGFCA, (2003), derives its authorization from Article 194(1) of the constitution of the Republic of Uganda, (1995). The medium term objective, of the commission among others includes the following activities namely; tracking the inclination of government transfers to LGs, and facilitate the annual sector conditional grant negotiation between parent ministries and local authorities. The bases of negotiation include; population density of the area, level of infrastructure development, land size, absorption capability and specific needs of the population of an area.

Table2. 3: Performance of Grant Release to Local Governments Financial Year 2014/2015 in Ugx. '000'

Category	Amounts for 133 Local Governments		
	Approved budget	**Actual released**	**Performance**
Wage recurrent	1,518,686,792.00	1,337,597,520.00	88 percent
Non-wage recurrent	713,619,616.00	701,141,519.00	98 percent
Domestic development	543,178,971.00	433,385,073.00	80 percent
Total	**2,775,485,380.00**	**2,472,124,112.00**	**89 percent**

Source: Extract from Audited Final Accounts of FY 2015/16

2.3.2.1 Conditional grant transfer

Conditional grant is a central government transfer which has specific guiding principle, policy and precincts. Features are that; it is a mechanism for reinforcing, must sustain directly poverty reducing interventions, and budget contribution: is achieved by comparing present financing with the level of similar actions.

This medium term objective, by the commission carried out in the midst of others are following focal actions explicitly; tracking the manner the central government transferred funds to Local Governments, and supporting the yearly sector conditional grant negotiation between sector ministries of LG, MoFPED and local governments to incorporate, population size of the area, intensity of infrastructure development, land area, absorption power and precise needs of the population of an area, (LGFCA, 2003).

PEFA, (2012) publicized; there was small clearness with regard to the formulae for transferring conditional grant to upper- level local governments. While there was an under lying position on the formulae since 2003, unsystematic vertical allocation (line ministry) make the ensuing horizontal allocations (to local governments) as well variable. In accumulation, delay in disbursing the quarterly transfers from the treasury adds to the irregularity of revenue by LGs.

2.3.2.2 Unconditional grant transfer

Unconditional grant is a minimum grant that is wired to LG to finance decentralized services and shall be calculated in a way specified in the 7th schedule of the constitution. The 7th schedule provides annual writing of the unconditional grant considering the price and wage increases and budgeted costs of running additional or subtracted services. Its applicability was not defined in the law but

rather common knowledge was that the unconditional grant was meant to fund the general management and administration cost of the LGs, for example, local service tax revenue, graduated tax compensation. There are no reporting needs to the central government for making use of unconditional grants, (LGFCA, 2003).

2.3.2.3 Equalization grants transfer.

Equalization grant is defined in the constitution article 193 sec 4 as the subsidy or exceptional provision for the least developed LG units and shall be based on the degree estimated might enable them reach the national average standard for a particular service. Applicability is based on house hold expenditure data as substitute to income capacity and population size, child population and length of kilometres of road network to stand-in expenditure needs, (LGFCA, 2003).

2.4 Revenue utilization/absorption

Estimates can be divided into recurrent budget and capital development budget, (LGFAR 2007). Auditor General's report, (2015), indicated that capacity building infrastructure development funds under USMID project (Uganda Support to Municipal Infrastructure Development) did not utilizein full funds availed to them totaling to Ugx.63, 141,565,615. Failure to put to use the allocated funds suggested lack of capacity to effectively implement project/program disadvantaging the people who are meant to benefit from this project. Management was made to believe that the under absorption capacity of the USMID fund was the failure of the Municipal authority to timely procure key tools and equipment for survey work, engineering and technical design probably due to lack of technical knowhow in procurement such specialized equipment. Delayed utilization of the infrastructure development fund was as well attributed to failure to attract worthy bidders for the kind of job.

2.4.1 Recurrent expenditure

Recurrent budget expenditure is expenses incurred by an administrative unit and whose benefit was derived within a financial period, and estimate shall be divided into departments, sections and subsections, (LGFAR 2007). According to Mulondo, M. (2018) in the article titled: Government releases Sh5.2 trillion for third quarter; Sh4.3 trillion will be spent on recurrent expenditure, which is 82%.

2.4.2 Capital development expenditure

Capital development expenditure is expenditure incurred by an administrative unit on physical infrastructure and human capital development beyond a financial year and benefit spread over long term period, (LGFAR 2007). The local governments have been allocated a total of sh. 120billion for their development expenditure for both the third and fourth quarter which ends June 2018, (Mulondo, 2018:3). SMC has a host of its development projects stalled because of no allocation or insufficient allocation and reduced release of development fund.

2.5 Service delivery

The expenditure codes applicable to a Municipality like the case of Soroti are under the following classification; administration, finance, statutory bodies, production & marketing, health, education, works, natural resources, community based services, planning unit and internal audit. Auditor General's report, (2015) found out a high level of unfilled positions in LGs. Low staffing level strains the available staff beyond their normal capacity, created job-related stress to those staff and negatively impacted on the level of service delivery to the people. The argument being that insufficient wage bill approved for the administration and a ceiling placed on recruitment of staff as a policy directive by ministry of public service.

Achieving planned level of service delivery and investment performance targets must be attached to specific expenditure head in the budget such that the competence of the disbursement options may be evaluated and challenges known and corrective action taken. In a related newspaper article: The EU team visited Wakiso district to engage both the technical and political leaders to evaluate the progress of donor funded projects in the district, (Kiggundu, 2016).

Bwanika said, "Many of the donor funded projects especially at the district level are riddled with corruption while others stall before completion due to lack of supervision. It does not really make sense to inject colossal sum of money into a project when you know that you will not follow it up to establish how your funds have been utilized, with this evil of corruption here, many donor-funded projects have been messed up."

2.6 Internal control and budget output

International Standards on Auditing (ISA) 315 is designed on the premise that internal control is more than a set of rules and procedures but rather a whole range of structured events and activities for attitudes change, (IFAC, 2016).Medium term objective, of the commission centered around four major activities;

a) Tracing the pattern of central government transfer to L Gs

b) Enhance annual sector conditional grants negotiation between line ministries and LGs

c) Analyse LG budgets, and

d) Support LGs improve budget planning, formulation and implementation process.

During the period 2014/2015 the central government release under review in the study performed at an average 89%

According to Auditor General, financial statements for the year ending 31ˢᵗ December 2015, quoted Regulation 40(3) of the LG-PPDA, 2006 mentioned circumstances under which direct procurement may be undertaken. The emergency situations, where supplies are available from one service provider or where an advantage would be taken by no competition.

Internal control does exist, the audit report noted that they are by and large violated or disregarded, (PEFA, 2012). System control in the IFMS does not permit any commitment that would make cumulative expenditure above the cumulative planned quarterly limits, but IFMS is at times by-passed, that is to say, commitments go far outside the IFMS requirement. Reasonable assurance that internal controls are effectively maintained are effected by government units that have increasingly become complex and metropolitan in the recent times and need shared responsibility at lower echelon, (INTOSAI, 2011). It takes the integrity of a given manager to follow the law and also deliver desired output from circumstances that prevail in public service.

2.6.1 Control environment and budget output

Arrangements needed effort in enforcing conformity with all relevant legislation, rules and set of laws, and other relevant pronouncements of best practice. They shall make sure the necessary safeguards that public fund under their control are used economically, efficiently, and according to the statutory and all provisions that govern their use. Regulation 103 (4) of the LGFAR, (2007), further puts responsibility on heads of departments of the council to institute sound programs, consistent with guidance given by the chief finance officer, for planning, appraisal, authorization and control of their operations in order to achieve sustained improvement on economy, efficiency

and effectiveness and realizing their financial performance targets for the period. In the Republic of South Africa, departments are reported being yet at unsatisfactory point because of the big size of the units and slack control effort, Accounting Officers don't have knowledge and skill to implement appropriate and maintain a working arrangement,(South African Institute of Internal Auditors,2010). In the case of Uganda as a nation, good the laws are very well designed but implementation is selective and largely abused. SMC is one of the exceptions the control environment is enabling, gives a direction to the staff to perform their as expected of them the right way.

2.6.2 Risk assessment and budget output

Risk appraisal is the basis used for isolating risk that needs control and ascertaining the control necessary to deal with them; by how management identifies risks, estimate of the significance of the risk, assessing the likelihood of occurrence and actions they decide to take in respect of the risk identified, (IFAC, 2016).

Risk management is, a process by which managers accept, cause to reduce, transferor offset risk.' Risk management strategies include the following; risk transfer (insurance), risk avoidance (stop activity), risk acceptance (prepare mitigation measure) and risk sharing. It involves identifying, assessing and prioritizing the financial risk with the objective of a guarantee that unpredictability does not prevent the entity from achieving the goals.

The budget problem factor which, at a time, is an occurrence that actively impedes the activities of an organization accomplishment as planned, (Kamukama, 2005). The limiting factor be identified, evaluated and the effect on each budget centre carefully assessed during next budget preparation process. The cost of risk management should not exceed benefit, ascertain the value in risk management, a systematic or structured process, capable of continued improvement or enhancing, should be part of the strategies or planning and decision making, and be based on available

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information like reports, influence of human factors, transparent, dynamic, inclusive and responsive principles of risk management. Given the persistent staffing gap in public service this effort may still take time to be achieved.

2.6.3 Control activities and budget output

Makaatu, S. (2017), stated that LG are the units that on their own form legal entities created by Acts of Parliament as a result of decentralization policy that see different geographical areas given empowered to take own decisions. These decisions are made through the respective unit councils for example, drawing own budget based on community needs, developments, aspirations and government policy. Control of usage of items include; (prevention, detection, and correction). Physical control may take account of security on the asset itself, restraining access to only certified people, and at regular intervals reconciling the quantities on hand with the quantities recorded in the organization books. Government has made big progress in this area by the enactment of the finance bill that is thought to stream line financial management in public sector entities.

Information process control is used to verify accuracy, completeness, and authorization of transactions of information. Common performance review include; comparing real data to budgeted data or preceding period data, working data to financial data, and data from inside and across diverse units, subdivisions or functional areas of the organization.

Bhatia (2008), stated that, an argument can be built for public sector organizations existence in, growth and diversification by focusing on their contribution in economic growth, redistributive justice and counteracting market failures;
Economic growth involves capital build up and setting investment priorities right for generation of economic surplus.

Capital accumulation is used to mean mobilizing resources projected for generation of more income, to break it out and speed up the pace of economic growth. A speedy rate of capital accumulation is vital, and public sector entity is thought to be a proficient means of achieving this objective. Public sector in Uganda luck critical resources in human capital and initial funding required for this kind of project

Investment priority, public sector investment, if found appropriate, can give up commercial objective such that the ensuing economic growth is all-encompassing , for example, public sector organizations can meet the expense of a high priority to infrastructure, capital goods, basic and major industries, education and training, even when they are economically not workable.

Generation of economic surplus can be a superior and rising source of public fund savings which, under an appropriate fiscal strategy can be used for growth-based investments. Consequently, investment and economic growth can be made fast tracked without additional burden to the national economy with extra taxation. The fast changing setting in which public sector organizations globally operate in this era has demanded precise and valuable performance information, (Johnsen, 1999, 2005 cited in Zahirul, 2016).

Recently, the new public sector environment places a lot of prominence on the introduction of private sector type of performance measurement system to government entities. Nonetheless, not a large amount of knowledge has been researched about 'how' and 'why' government entities have embraced implementing 'modern' performance measures such as the balanced score card, (Hogue, 2006 cited in Zahirul, 2016).

Wendy, J., (2006), concurred with the previous studies, as such; there is a move away from the focal point of conformity and control en route for efficiency, effectiveness and cost cutting all the way through the introduction of business-like practices and competitive market orientation. These

changes have occasioned a move away from a traditional administrative approach of public sector organization management to one that encourages managerialism and rationalism, the fundamental philosophy of new public management.

The philosophy adjoining NPM require the support of formal rational administration, an emphasis on the requirement for clear goals, corporate strategic plan, and most of all, robust internal and external accounting systems with understandable responsibility lines for output performance measurement, (Hogue and Moll, 2001 cited in Wendy, 2006). Management technique used in promoting these changes have integrated; structural redesign of the entities, re-engineering of budget practice, responsibility centre and performance agreement covering performance target for the department or their managers. This may be a tall order since government through the office of the Prime Minister was mandated to do a study and give a report on merger of some agencies to stop wastage of resources and reduce duplication of rules. Verbeeten, F.H.M. (2011), agreed with recent study of improving public sector performance. Major aspects of NPM necessitate a focus on the cutback of budget, devolution of actions to make corporate-like units and market oriented provision of goods and services at a cost, another study noted that, financial management is a vital tool for poverty reduction in any country more specifically, budgeting has attracted enormous attention from various stakeholders throughout the world since, in order to achieve 'a performing state', governments need 'a performing budget' (OECD, 2003; Caiden, 2010, cited in Goddard, A. & Mkasiwa, T. A., 2016). Uganda and its agencies are yet to realize a performing budget, short falls and supplementary estimates are common characteristics of the budget cycle.

2.5 Summary of the literature

The purpose of literature reviewed in this chapter was to establish how different authors designed and implemented internal control and the resultant budget output. Most of the literature laid and

reviewed had a link with internal control, budget output, and policy central government transfers as rebound to key ingredients needed for better budget output. The various Acts of Parliament support this assertion but they fail at the implementation stage. However, as a general oversight, the situation with or without internal control and its components, the researcher sought to find out what induces managers in some public sector entities to perform in terms of high output, which manifested itself outside the study scope as leadership style. The study would investigate this phenomenon in regard to the above literature highlights on internal control system; the control environment, risk assessment, control activities and budget output of public sector entities in Uganda. The extent to which control measures used influenced budget output, theories and existing literature have no conclusive evidence on actual effect of internal control and its components on budget output of public sector entities, and to address the gaps that remained unanswered and emerging issues in this area of study by focusing on finding answers to the research questions.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discussed the types of research, the research design, the study population, determination of the sample size, sampling techniques and procedure, data collection methods, data collection instruments, validity and reliability, procedure of data collection, data analysis, measurement of variables and ethical issues considered for any research study to come out with findings that will after analysis be interpreted alongside the existing literature reviewed in the previous chapter.

3.1 Research Design

The researcher adopted both quantitative and qualitative methods of study; and used a cross sectional research design. Gay, (1996), defined cross sectional design as one where a study is carried out at

one point in time. The researcher would explore and describe the phenomenon in its actual state and measure incidence and prevalence rates (Amin, 2005). It was used because the opportunity offered the respondents a wide range of answers as open ended questions and probing questions would be asked and diversity of responses recorded. Johnson, Onwnegbuzie, & Turner cited in Creswell, (2014) supported his view, that mixed method involved collecting both qualitative (open ended question) and quantitative (closed ended question) data in response to formulated research questions or hypothesis. The two pieces data are then integrated in design analysis through integrating the data collected, linking the data or embed the data. This process is then included into a distinct mixed method design that also include the timing of the data collected, concurrent or sequential and as well emphasis of its proportion as equal or unequal for each data base. The approach is important in that the study is a triangulation method, where the researcher collects both qualitative data and quantitative data, analyses them separately and then makes a comparison of the results to establish whether the finding corroborate or disconfirm each other, whereas explanatory orientation involve a two phase plan in which the researcher collects quantitative data in the first phase, analysis's the results and then uses the results to build on to the second qualitative phase (Creswell2014).Amin, (2005), argued that, any study that involves explanations of events should apply the qualitative approach. The quantitative approach will be used to help the researcher quantify a number of aspects for ease of explanations by comparing particular events.

3.2 Study Population

A population is a complete set of all the elements (units) that are of interest for a particular investigation of a study. Population of Soroti Municipality was estimated at 49,452 people, comprising 18,695 in eastern division, 19,382 in northern division, and 11,375 in western division carrying 11,375, (UBOS National Population and Housing Census 2014).

The target population is therefore, the population to which the researcher eventually wants to generalize results from, and in this study it means all the technical staff, the political leadership of Soroti Municipal Council, and other stakeholders (business community, opinion leaders, and citizenry) within the Municipality giving a target population of five hundred fifty three people (553).

3.3 Determination of the Sample size

A sample was the element within the study population that took part in the study, in this particular study, one hundred and nine respondents in the respective categories. The sample size was selected as indicated in table 3.1 below

Table 3.1 Showing a breakdown of the sample size of the population

Category of the population	Target population	Sample population	Sampling technique
Technical staff	460	145	Stratified and simple random sampling
Political leaders	72	59	Stratified, Simple random and purposive sampling
Other stakeholders	21	21	Census
Total	553	225	

Source: Adapted for the study from Krejcie and Morgan (1970) Table of sample size determination in Amin (2005)

3.4 Sampling techniques and procedure

The target population was 553 respondents and a sample of 225 taken from all categories and distributed proportionately indicated as, 460 technical staff adapted from approved staff establishment 2016. This comprised; Staff in office of the Town Clerk, Administration, Finance, Health, Education, Production & Marketing, Works, and Statutory Bodies, Community Based Services, and Natural Resources departments.

Krejcie& Morgan (1970) Table of sample size determination as cited in Amin (2005) recommended that when the population is 553, the sample is 225. The researcher used stratified sampling technique to pick from each of these departments and employed simple random technique to arrive at the sample population of 145 respondents. Political leaders are 72 comprising 15 elected members from each of the three divisions and 20 directly elected councilors, 6 special interest groups (youth, elderly and persons living with disability -both gender)and the Mayor. A sample size recommended is 59 respondents taken from each of the divisions, and the head office, using stratified sampling technique. In addition, simple random sampling and purposive techniques were used for each category of political heads by virtue of their position. Other stakeholders selected are 21 participants comprising business community, opinion leaders and citizenry, and where the whole population is purposively chosen as beneficiaries of services rendered by the municipality administration or directly affected by governance at the council and their opinion a useful contribution.

3.5 Data Collection Sources

The study used primary, secondary and tertiary sources for data collection for this research work, (Bryman & Cramer, cited in Creswell, 2014).

3.5.1 Primary data source

They suggested that data can be collected through primary specifically for the current purpose; such data are gathered from the original source and are tailor made for use by the researcher, examples include observation, key informant interview, interviews, questionnaire and focus group discussion.

3.5.2 Secondary data source

Secondary data sources are those which have already been collected elsewhere for some other purpose but can be used or adapted for the current study purpose, that is, document review (journals, articles, newspapers, textbooks, internet sources)

3.5.3 Tertiary data source

Tertiary data sources are those which are presented in workshops, conferences, seminars and public lectures targeting particular groups and addressing specific topics of concern that the researcher can put to use.

3.6 Data Collection Methods and Instruments

This section described the instruments that were employed for collection of data using each of the following data collection methods.

3.6.1 Questionnaire method

The researcher used questioning method to collect data from mainly political leaders, heads of administration and departments of divisions and municipal head office mainly by self-administered questionnaires because of convenience it offers to this category of respondents who are very busy in their schedule of duties

3.6.2 Interviews

The researcher used a guide to carry out interviewing of respondents that comprised face to face interview, key informants' interview and focused group discussion as shown in the following sub-headings.

3.6.2.1 Face-to-face interview

The researcher used an interview guide to conduct a face-to-face interview with some of the technical staff who may be available for the interview.

3.6.2.2 Key informants' interview

The researcher used key informants check list to collect data from other stakeholders (opinion leaders) because they are believed to have the information required by virtue of their wealth of experience in position of responsibility in society and seniority

3.6.2.3 Focus group discussion

The study purposively identified a portion of the other stakeholders, the citizenry in groups for discussions on focused group topics, reason being they are directly affected by decisions taken by authorities at the municipal council service delivery.

3.6.3 Observation method

The study used observation method to establish output of management decisions and performance (technical staff) at the decision centres using observation check list. Observation will be directed on council projects like, infrastructure development that include USMID road project, public assets and

recreation facilities (sports ground), developed and maintenance standards, service delivery in the area of public health (garbage collection) to ascertain output on compliance with set health standards observable for existence and quality.

3.7 Validity and reliability of the instrument

Amin, (2005) defined validity as the appropriateness of the measuring whatever it is intended to measure. The researcher pre-tested the questionnaire by having it administered in a preliminary study to staff that were told about the pre-testing of the instrument. They assessed whether the items in the questionnaire are validly answering the research question in a logical manner or they are vague. There was pilot testing the data collection instrument where samples of people come from environment similar to the one of the case study chosen for the purpose. This helped the researcher to update the items in the questionnaire. Validity of each instrument will be got by the content validity index (CVI) using the formula;

CVI =n/N

n=is the number of questions deemed valid

N= Total number of questions in the questionnaire

From the above formula; the instruments will be considered valid to be used in the research if the content Validity Index is 0.7 or above.

Table: 3.2 Validity analyses

Variable	Content Validity Index	Number of Items
Control Environment	0.812	14
Risk assessment	0.731	4

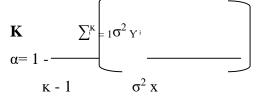|		
Control Activities	0.720	15
Budget output	0.731	21

Source: Primary data

The result indexes in the table were above 0.7 indicating that the items in the instrument were valid. This involved the expert scoring of the relevance of items in the instrument in relation to the study variables and therefore acceptable as valid, (Kothari, 2004).

According to Amin (2005), reliability is the consistency with which an instrument measures whatever it is intended to measure.

The researcher yielded consistent results after the repeated trial of each of the instruments. To ensure reliability of instruments, questionnaire was designed and pre-tested for reliability, use of key informants' interview to gain access to available information from respondents believed to have the needed information.

The formula for Cronbach Alfa is presented as follows:

$$\alpha = \frac{K}{K-1}\left(1 - \frac{\sum_{i=1}^{K}\sigma^2{}_{Y_i}}{\sigma^2{}_X}\right)$$

Where K is the number of components in the instruments (K items), $\sigma^2{}_X$ the variance of the observed total test scores and $\sigma^2{}_{Y_i}$ the variance of components for the current sample of persons.

Table 3.3: Reliability analysis

Variable	Cronbach's Alpha	Number of Items
Control Environment	0.827	14
Risk assessment	0.70	4

Control Activities	0.760	15
Budget output	0.797	21

Source: Primary data

Results in table 3.3 showed that indicators measuring the three components of internal control and budget output in the study were found to be reliable. This was because the indexes associated with them had a coefficient above the 0.70 threshold set by Cronbach, (1951). Gay (1996), argued that, the Cronbach Alfa coefficient should be 0.7 or above for the instrument to be reliable for use. To ensure reliability of instruments, questionnaires will be designed and pre-tested. The researcher then used SPSS to generate Alfa Coefficient.

3.8 Procedure of Data Collection

Researcher moved to the field to collect data after a go a head was given by the Institute upon successful proposal defense and a letter of introduction written to management of Soroti Municipal Council. The researchers ought permission and made appointment with the respondents before any information was collected. Supported by Johnson et al, cited in Creswell, (2014), mixed/triangulation method required collecting both qualitative (which is open ended) and quantitative (which is closed ended) data in response to research questions or hypothesis. The finding was incorporated into a distinct mixed method design that also includes the timing of the data collected (concurrent or sequential) as well as the emphasis of equal or unequal proportion for each data base. The approach is important because the study is a mixture of descriptive perspectives, where the researcher collected both qualitative data and quantitative data, analyzed them individually and then compared the results to see if the findings validated or disconfirmed each other,

whereas explanatory orientation involved a two segment project in which the researcher collected quantitative data in the first stage, analyzed the results and then used the results to plan (build on to) the second qualitative phase, (Creswell, 2014).

3.9 Data Analysis

According to Johnson et al cited in Creswell, (2014), mixed methods involve the compilation of both qualitative (open ended) and quantitative (closed ended) data in response to research questions or hypothesis. The sets of data compiled from the two methods are integrated in design analysis by merging them, connecting the data or embed the data. Quantitative data will be analyzed in a numerical format by the use of computer program and software such as EXCEL, ANOVA and SPSS. Qualitative data analysis will be based on an interpretive philosophy, seeking to make a general statement on how categories, groups or themes are related emphasizing and understanding the phenomena as they exist, and not following pre-determined hypothesis, (Bell, 1993). Preparing for qualitative data analysis will require; editing the findings to make data error free, cleaning, sorting, coding and handling of documentary data descriptively.

Kruger et al, (2005), asserts that the purpose of data analysis is to categorize, order, manipulate and summarize data to an intelligible and interpretable form in order to provide answers to the research questions and be able to draw conclusions from the findings

3.10 Measurements of variables

The researcher used the 5 point Likert scale for measurement of the variables. The Likert scale was arranged to show the level of agreement or disagreement the respondent selected a response that best described their opinion to the statement used to measure the variables in the study. The points assigned were as shown from 1 to 5 and an average determined for all items; 5points=strongly agree,

4points=agree, 3points=none, 2points= disagree, and 1point= strongly disagree, recommended by (Gay 1996).

3.11 Ethical considerations

The study made certain that in the progression of data collection to the end when reported the finding, information was handled with the respect it deserved following ethical aspects of the study; privacy required that the researcher obtained genuine consent of the respondent with reasonable assurance to refrain from disclosing such information acquired in the course of the study with the exception of requirement in law or competent authority.

Credibility required communicating information honestly and objectively disclose in full all pertinent facts that could reasonably be expected to influence the findings to a level of accuracy and reliability acceptable for scholarly work.

Competence of the researcher in the academic work should be executed in observance of applicable ethical regulations and research standards of the institution exhibiting professionalism, knowledge and skills befitting a scholarly study.

Integrity means avoiding actual and apparent conflict of interest in the conduct of the study, avoid engaging any activity that would prejudice the researchers ability to carry out the study ethically.

Anonymity of the respondent be respected such that, data collected with their consent for the study should be always regarded highly personal and the identity not made public. This assures the respondents to provide accurate responses with ease.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presented the results, analyzed and interpreted findings of the study carried out. It was arranged according to characteristics and a research objective which included; to establish the contribution of control environment on budget output in Soroti Municipal Council, to find out the risk assessment standard set to achieve desired output of the budget cycle in Soroti Municipal Council and to ascertain the control activities used to achieve budget output in Soroti Municipal Council. It comprised descriptive and inferential statistics. The results were obtained using the Statistical Package for Social Scientist (SPSS) and the tests used included; Charts, Frequency tables, Percentages, Pearson Correlation Analysis, Regression Analysis and ANOVA Analysis.

4.1   Response Rate

Two hundred and twenty five (225) questionnaires were sent out and one hundred seventy six

(176)questionnaires were returned.

This represented a respondent rate of 78.2%. The researcher felt this response rate was satisfactory and went ahead to analyze the data. The response above was what Amin (2005) recommended that at 70% was valid enough to draw conclusions

4.2   Demographic Characteristics

Descriptive statistics was used to explain the demographic/social characteristics of the respondents. In order to have a clear understanding of the respondents, they were asked preliminary information about their gender, age group, marital status, job title and length of time worked in that position.

Table 4.2.1: Showing Sex of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	89	50.6	51.7	51.7
Valid	Female	83	47.2	48.3	100.0
	Total	172	97.7	100.0	
Missing	System	4	2.3		
Total		176	100.0		

Source: Primary Data (Questionnaire)

The majority of the respondents were male represented by 50.6% and 47.2% female. This meant that Soroti Municipal Council has more male office holders than female counterparts who manage the Municipal Council effectively and efficiently.

Table 4.2.2: Showing Age Group of Respondents

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**

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	26-30	25	14.2	14.2	14.2
	31-35	40	22.7	22.7	36.9
	36-40	34	19.3	19.3	56.3
Valid	41-45	35	19.9	19.9	76.1
	46-50	20	11.4	11.4	87.5
	51-55	14	8.0	8.0	95.5
	56-60	8	4.5	4.5	100.0
	Total	176	100.0	100.0	

Source : Primary Data (Questionnaire)

From the results presented in the table 4.2.2 above, it was found out that respondents in the age group 31-35 years were the majority represented by 40(22.7%). The result was in line with the population distribution of Uganda which indicated that the biggest portion of Uganda's population is dominated by youth, (UBOS, 2014).

		Frequency	Percent	Valid Percent	Cumulative Percent
	Single	45	25.6	26.5	26.5
Valid	Married	101	57.4	59.4	85.9
	Others	24	13.6	14.1	100.0
	Total	170	96.6	100.0	
Missing	System	6	3.4		
Total		176	100.0		

Source : Primary data (Questionnaire)

The results in the above table shows that the majority respondents were married people represented by 101 (57.4%) who are old enough to perform the Municipal Council activities while the minority were others as represented by 24 (13.6%).

4.3 Internal Control System

The items in the questionnaire were anchored on a Likert's five point scale. Therefore the mean results between 1 to 2 depicted respondents disagreement; while 4 to 5 represented agreement with questions asked in the questionnaire and lastly the mean at 3 showed that respondents were not sure.

Table 4.3: Descriptive statistics on the Internal Control System

	N	Min	Max	Mean	Std. Dev
The organization has functional internal control system in place	176	1	5	4.04	.712
Internal control system achieves efficiency in management	176	1	5	4.19	.714
Internal control system achieves effectiveness in management	176	1	5	4.08	.577
Internal control system achieves economy in management	176	1	5	4.11	.719
Average Mean	**176**			**4.105**	

Source: Primary Data (Questionnaire)

From the table above, the average mean of 4.105, meant that the majority of the respondents strongly agreed with the issues raised on Internal Control System on budget output in public sector. The study revealed that the organization had functional internal control system in place with mean of 4.19 and standard deviation of 0.714. Internal control system achieved effectiveness in management with mean of 4.08 and SD of 0.577 and internal control system achieved economy in management with mean 4.11 and SD of 0.719.

4.3.1 Correlation Analysis

			Internal control system	Budget output
Internal control system	Pearson Correlation		1	.376**
	Sig. (2-tailed)			.000
	N		176	176

Budget output	Pearson Correlation	.376**	1	
	Sig. (2-tailed)	.000		
	N	176	176	

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

The findings from the table revealed that, there was a significant positive relationship of (r=0.376) between internal control systems and budget output. This meant that a change in internal control system led to a significant change in budget output, that is to say, an inadequate internal control system would cause low budget output and a functioning controls brings in a high budget output.

4.4 Control environment

The items in the questionnaire were anchored on a Likert's five point scale. Therefore the mean results between 1 to 2 depicted respondents disagreement; while 4 to 5 represented agreement with questions raised in the questionnaire and lastly the mean at 3 showed that respondents were not sure.

Table 4.4: Descriptive statistics on the control environment

	N	Min	Max	Mean	Std. Dev
Management demonstrates integrity and ethical behaviour in their schedule of duty in achieving organizational objectives	176	1	5	4.20	.802
Management and staff show commitment and competence in their schedule of duties	176	1	5	4.16	.889
Political leadership participates actively in the supervisory/guidance role expected of them	176	1	5	3.86	1.114
Audit committees are fully functional and work in accordance with guidelines issued	176	1	5	4.01	.881

Management employs new public management approach and involves all staff in decision making process	176	1	5	3.99	.994
Management assigns authority and responsibility to its members in order to achieve specific objectives	176	1	5	4.28	.812
Staff recruitment follows established public service guidelines	176	1	5	3.87	.970
Staff development scheme is implemented in a free and fair manner to the benefit of the organization	176	1	5	3.76	.993
Leave for staff is granted as a mandatory requirement for public servants	176	1	5	4.09	1.049
Transfer and promotion policies are well laid down and operational in your organization	176	1	5	3.90	1.185
Average mean	**176**			**4.012**	

Source: Primary Data (Questionnaire)

Basing on the table above, it was discovered that an average mean was 4.012 and implied that the majority of the respondents strongly agreed with the items raised on control environment and budget output in public sector. The findings revealed that management demonstrates integrity and ethical behavior in their schedule of duty in achieving organizational objectives with mean of 4.20 and standard deviation of 0.802. Management assigns authority and responsibility to its members in order to achieve specific objectives with mean 4.28 and SD of 0.12. Management and staff showed commitment and competence in their schedule of duties with mean 4.16 and SD of 0.889. The Audit committees were fully functional and worked in accordance with guidelines issued with mean of 4.01 and SD of 0.881. Staff leave was granted as a mandatory requirement for public servants with mean of 4.09 and SD of 1.049 and management employed new public management approach and involved all staff in decision making process with mean of 3.99 and SD of 0.994. This meant that most of the respondents were in agreement with the issues that were raised by evidence of high

values of mean in each case above. Therefore the higher standard deviation showed that the individual responses, on average were small over one point away from the mean. This was due to high reliability value.

4.4.1 Correlation Analysis

The Pearson correlation co-efficient (r) was employed to establish the relationship between the study variables, which were control environment and budget output basing on the objectives of the study. Pearson correlation coefficient was mainly used because it is highly informative about the degree of linear dependence between two random quantities regardless of whether their joint distribution was normal. The correlation co-efficient indicated the strength of the association between the variables. The results of the correlation as presented in the table 4.4.1 below and are interpreted under the subsections that follow.

Table 4.4.1: Show the correlation analysis of Control environment and budget output

		Control environment	Budget output
Control environment	Pearson Correlation	1	.551**
	Sig. (2-tailed)		.000
	N	176	176
Budget output	Pearson Correlation	.551**	1
	Sig. (2-tailed)	.000	
	N	176	176

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

The results in table 4.3 above also revealed a significant positive relationship between Control environment and budget output (r=.551**p<0.01). These results implied that positive change in

Control environment was associated with a positive change in budget output. Therefore, Soroti Municipal Council needed a strong control environment to improve on the level of output through increased quality service delivery.

4.5 Risk assessment

The objective was to identify the effect of risk assessment on budget output in public sector, and the descriptive statistics on the effect of risk assessment on budget output in public sector. The result in the table below was generated using the scale coded 1 to 5 and represented (Strongly Disagree, Disagree, Not Sure, Agree and Strongly Agree) ranging from (1, 2, 3, 4and 5) respectively. A mean close to 1 or 2 showed disagreement, a mean of 3 showed undecided while mean close to 4 or 5 showed agreements about the issue. The results obtained are summarized in table 4.5 below.

Table 4.5: Descriptive statistics on Risk assessment

	N	Min	Max	Mean	Std. Dev
Budget limiting factors (budget constraints) are identified as a risk during the budgeting process	176	1	5	3.91	1.030
Budget limiting factors (budget constraints) are analyzed to establish the relevant risk	176	1	5	3.72	1.140
Determine budget limiting factors (budget constraints) that need to be controlled	176	1	5	3.42	1.173
Determines the controls required to manage the budget limiting factors(budget constraints)	176	1	5	2.86	1.330
Average mean				**3.47**	

Source: Primary Data (Questionnaire)

From the table above, it was discovered that, an average mean of 3.47, meant that the majority respondents were not sure of the issues that were raised on the effect of risk assessment and budget out in public sector. The study further revealed that budget limiting factors (budget constraints) are identified as a risk during the budgeting process with mean 3.91 and standard deviation of 1.030.

Budget limiting factors (budget constraints) are analyzed to establish the relevant risk with mean of 3.72 and standard deviation of 1.140, determining budget limiting factors (budget constraints) that need to be controlled with mean 3.42 with standard deviation of 1.173 and determining the controls required to manage the budget limiting factors represented a disagreement with mean of 2.86 and standard deviation of 1.330. Therefore the general findings show the majority respondents were not sure of the issues that were put forward.

4.5.1 Correlation Analysis

The Pearson correlation co-efficient (*r*) was employed to establish the relationship between risk assessment and budget output basing on the objective of the study. Pearson correlation coefficient was used to determine the dependence between two random quantities regardless of whether their joint distribution is normal.

Table 4.5.1: Show the correlation analysis of Risk assessment and budget output

		Risk assessment	budget output
Risk assessment	Pearson Correlation	1	.057**
	Sig. (2-tailed)		.454
	N	176	176
Budget output	Pearson Correlation	.057	1
	Sig. (2-tailed)	.454	
	N	176	176

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

The results in the table 4.5.1 above showed that there existed a significant but weak positive relationship between risk assessment and budget output (r=.057**, p<0.01). This therefore implied

that risk assessment did not add much value to budget output. Therefore there was need for the public sector entities to increase on scale of risk assessment that can lead to increased budget out in their units.

4.6 Control activities

The objective was to ascertain the control activities used to achieve budget output in Soroti Municipal Council, and the descriptive statistics on the effect of control activities on budget output in public sector. The result in the table below were generated using the scale coded 1 to 5 represented (Strongly Disagree, Disagree, Not Sure, Agree Strongly Agree) ranging from (1, 2, 3, 4and 5) respectively. A mean close to 1 or 2 showed disagreement, a mean of 3 showed undecided while mean close to 4 or 5 showed agreements on the issue raised. The results obtained are summarized in table 4.5 below.

Table 4.6: Descriptive statistics on control activities

	N	Min	Max	Mean	Std. Dev
The use of assets in your organization is controlled using established public service standing orders	176	1	5	3.96	.973
Controls are designed to prevent occurrence of error anticipated	176	1	5	4.80	1.442
Controls are designed such that errors are detected before occurrence	176	1	5	4.84	1.106
Controls are designed such that errors corrected are known	176	1	5	2.70	1.301
Security of public assets are guaranteed by management effort	176	1	5	3.99	.883
Access to public assets is limited to only authorized people	176	1	5	2.59	1.323
Periodic reconciliation is made between the actual quantities and records of assets availed	176	1	5	4.70	1.368
Information is prepared with the level of accuracy required	176	1	5	4.03	1.349
Information is prepared with the level of completion required	176	1	5	4.00	.905
Information prepared is properly given authorization	176	1	5	4.12	.730

There is an established policy on systems software acquisition and its maintenance	176	1	5	3.99	.968
Access to use of systems software is restricted to authorized persons	176	1	5	4.06	.923
Application systems development and maintenance authorization is based on an established policy	176	1	5	4.03	.862
Authorization is granted to run a software program, i.e. preparation of payroll	176	1	5	4.22	.778
AVERAGE MEAN				4.00	

Source: Primary Data (Questionnaire)

The results in the table above showed that majority of the respondents agreed with the items raised on control activities. This was illustrated by average mean score of 4.00 which meant that most of the respondents confirmed they improved output. It was further proved that the Controls are designed to prevent occurrence of error anticipated with mean of 4.191 with standard deviation of 1.442. Controls are designed such that errors are detected before occurrence with mean of 4.84 and standard deviation of 1.106. Periodic reconciliation was made between the actual quantities and records of assets availed with mean of 4.70 and standard deviation of 1.368. Authorization was granted to run a software program, for instance, preparation of payroll with mean of 4.22 and standard deviation of 0.778. Access to use of systems software was restricted to authorized persons with mean of 4.06 and standard deviation of 0.923. Information prepared was properly given authorization with mean of 4.12 and standard deviation of 0.730 and Application systems development and maintenance authorization was based on an established policy with mean of 4.03 and standard deviation of 0.862. Therefore having the highest respondents who agreed, it was important to say control activities have a great impact on the budget output of Soroti Municipal Council.

4.6.1 Correlation Analysis

The Pearson correlation co-efficient (r) was employed to establish the relationship between control activities and budget output based on the objective of the study. Pearson correlation coefficient was

used to determine the dependence between two random quantities regardless of whether their joint distribution is normal.

Table 4.6.1: Show the correlation analysis of control activities and budget output

		Control Activities	Budget Output
Control Activities	Pearson Correlation	1	.114**
	Sig. (2-tailed)		.136
	N	176	176
Budget Output	Pearson Correlation	.114	1
	Sig. (2-tailed)	.136	
	N	176	176

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

The results in table 4.6.1 above also revealed a significant positive relationship between control activities and budget output (r=.114**, p<0.01) which meant that good control activities enhanced budget output.

4.7 Budget Output

The result in the table below were generated using the scale coded 1 to 5 represented (Strongly Disagree, Disagree, Not Sure, Agree Strongly Agree) ranging from (1, 2, 3, 4and 5) respectively. A mean close to 1 or 2 showed disagreement, a mean of 3 showed undecided while mean close to 4 or 5 showed agreements about the issue.

Table 4.7: Descriptive statistics on budget output

	Mean	Std. Dev
Periodically, actual data produced from accomplished activities are compared with corresponding budgeted data	4.18	.840
Periodic operating data is compared with corresponding financial data	4.15	.757
Comparison of data generated is done against the previous period and across the various units of the organization	4.05	.740
The law demands the preparation of a balanced budget by L.G	4.20	.779
Management demonstrates integrity, in ensuring a balanced budget is achieved	4.12	.841
Management demonstrates commitment in ensuring a balanced budget is achieved	4.11	.927
Management demonstrates competence in ensuring a balanced budget is achieved	3.51	1.334
Budget limiting factors are identified, assessed, analyzed, risk evaluated, ranked and controls are determined, appropriate control measures are applied to ensure budget target are achieved	4.06	.986
All revenue budgeted is collected by the end of the financial period	3.67	1.256
Collections from all local revenue heads are realized by L.G	3.65	1.208
Central government releases all grants communicated at the national budget conference as indicative figures for the financial year	3.74	1.239
Revenue from other sources of income are disbursed to L.G as planned	3.56	1.101
Resources/funds allocated in respect to recurrent expenditure is utilized in full	3.65	1.174
The funds utilized in full, is directed for its intended purpose	3.74	1.169
Resources/funds allocated for development/capital expenditure are utilized in full	3.66	1.315

Funds utilized in full is directed for planned projects budgeted for in the fiscal year	3.52	1.172
Project implementation is taken to completion stage in the timeframe agreed	3.50	1.263
Project implementation is completed according to the design in quantity and specification	2.98	1.394
Public services are delivered to the population according to budgeted needs	2.89	1.387
Public services delivered meet and match with the population needs of your community	3.52	1.298
Public services delivered meet the quantity specification and the stipulated design	2.74	1.384
Average mean	**3.67**	

Source: Primary data (Questionnaire)

From table above, the average mean of 3.67 meant that the majority respondents were not sure on the items raised about budget output for the public sector organizations. However, some respondents were in agreement with items, like requirement in law for preparation of a balanced budget by Local Government (Mean = 4.20 and Standard deviation 0.779), periodically actual data produced from accomplished activities are compared with corresponding budgeted data (Mean = 4.18 and Standard deviation 0.840), management demonstrated integrity in ensuring a balanced budget was achieved (Mean = 4.12 and Standard deviation 0.841). Comparison of data generated was done against the previous period and across the various units of the organization (Mean = 4.05 and Standard deviation 0.74) and management demonstrated commitment in ensuring a balanced budget was achieved (Mean = 4.11 and Standard deviation 0.927) and budget limiting factors are identified, assessed, analyzed, risk evaluated, ranked and controls are determined, appropriate control measures are applied to ensure budget target are achieved (Mean = 4.06 and Standard deviation 0.986). Therefore the respondents who tended to agree with the issues included; that all revenue budgeted was collected by the end of the financial period (Mean = 3.67 and Standard deviation 1.256) and Central government released all grants communicated at the national budget conference as indicative planning figure for the financial year (Mean = 3.74 and Standard deviation 1.239). However, other

respondents disagreed on project implementation was completed according to the design in quantity and specification (Mean = 2.98 and Standard deviation 1.394) and Public services delivered meet the quantity specification and the stipulated design (Mean = 2.74 and Standard deviation 1.384).

4.8 Regression Analysis

Regression analysis was intended to explain the predictive power of the independent variable (internal control system) on the dependent variable of budget output in this study. The details are explained below

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.552ᵃ	.305	.293	.704

The above table showed results of regression where the independent variable such as control

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.822	.370		4.927	.000
	Control Environment	.576	.068	.552	8.422	.000
	Risk assessment	-.029	.054	-.035	-.539	.591
	Control activities	.017	.057	.020	.301	.764

a. Dependent Variable: Budget output

b. Predictors: (constant), control environment, risk assessment and control activities

environment had a relationship with budget output. It was established that control environment was

predicted at 55.2% (Adjusted R Square =. 552) of the observed variance in budget output. This implied that the other factors accounted for 44.8%, which influenced budget output. The result further revealed that risk assessment (beta=-.035, sig. =0. 591) was also a significant predictor of budget output where negative change in risk assessment yielded-.035similar negative changes in budget output. The findings further revealed that control activities (beta = .020, sig. = .764) was the most significant predictor of budget output. This meant that a positive change in control activities brought.020 similar positive changes in budget output.

4.8 ANOVA Analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.990	4	10.747	23.233	.000[b]
	Residual	77.716	168	.463		
	Total	120.705	172			

a. Dependent Variable: budget output

b. Predictors: (Constant), Control Activities, Risk Assessment , Control Environment

ANOVA test was carried out and the findings (P- value of 0.00) in the table above showed that there was a correlation between the predictor "variables" (control activities, risk assessment, and control environment) and response variable (budget out as measured by revenue collection targets, resource utilization and quality service delivery).

Qualitative Analysis

Qualitative data analysis was based on an interpretive philosophy, seeking to make a general statement on how categories, groups or themes are related emphasizing and understanding the phenomena as they existed. Preparing for qualitative data analysis required; editing the findings to

make data error free, cleaning, sorting, coding and handling of documentary data descriptively. The evidence was based on quotations, ideas sought, interpretation from experts, findings from interviews, policy analysis and comments on statistical statements.

4.9 Interview method

The findings that the researcher obtained from the use of interview guide were presented as below.

4.9.1 Face-to-face interview

Data was obtained from the various heads of department of Soroti Municipal Council and presented in themes and objective by objective;

4.9.1.1 Control Environment and Budget Output

Theme 1: work plan

Based on interview conducted, the findings focused on the set objectives. Internal control existed, the department shad work plans prepared for the financial year, broken down into quarters followed in ensuring effectiveness and economy of operations of the department. Education adopted new policy for supervision of staff that required head teachers of the respective schools to be present in the class when lesson was going on and ensure activities carried out were professional and competently handled. The findings revealed that municipal schools are fenced to secure especially the school land, stop hostile communities from vandalizing school property, make learning environment conducive. School inspection plan and school had teachers' quarters though housing a few of them.

Health sector draw their work plans, all the health centres are fenced off with functioning health management teams as well as health monitoring teams, they are very particular with procedure, and insisted on authorization to perform any activity within the units and the immediate environment meta recommended health standard.

The control environment measures for works department included; planned periodic maintenance like graveling of roads to last 3 years, routine maintenance like slashing the road sides, de-silting the drainage channels and keeping roads in usable state, mechanical maintenance like road opening including new ones for use and administrative cost like running costs, allowances for district road committee, road networking, maintaining of vehicles, travels, workshops.

Rules and regulations

The municipality land area covered approximately 17 square kilo meters, settlement categorized into; low density, medium density and high density for residential, commercial and industrial area. Vertical development in the central business area was recommended for all structures along the main street, other settlements have strict user clause that changes are only made with permission from relevant authority.

Statutory bodies (council and procurement unit) operated within legislation and mandate; approved budget, approved the procurement plan and had meetings as scheduled.

Production and marketing department (livestock and crop husbandry, entomology, fisheries and marketing) by far the biggest section of the council set its schedule diligently, majorly in field visits and inspections to ensure correctness of work.

Environment focused on use of natural resources within the municipal area that included; rocks (opiyai, solot and moru-apesur), land, wetland, forest reserves, beautification of the town and specifying land use based on environmental report.

In Finance department the findings revealed that council was always briefed about all activities and necessary infrastructure on the release of funds, collection of funds/effort and disbursements made

for the approval. The study found out that control environment is conducive- 5 year development plan based on reports from other departments and stakeholders, data is collected, analyzed and statistics generated to feed into the planning. The audit department followed its audit program in conformity with the provisions.

Administrative team of SMC followed rules and regulations stipulated in the legal instrument, work plans are duly approved by authority established, designs of projects are sought from consultants according to project requirement and mandatory activities are scheduled (meetings, workshops, reports, conferences).

Political leadership are committed to their supervisory work as budgeted and implemented accordingly, they are active members of road committees, health monitoring teams and school inspection.

Vision, mission, goals and objectives

Planning sector activities are prepared with consideration in mind the vision of the council;

Livable, prosperous and self-sustaining urban setup by 2040.Mission statement, to serve the urban population through coordinated delivery of quality service which focused on national and local priorities? Overall goal: Socio-economic transformation and poverty eradication of the urban population. The administration still a tall order and expected to work round the clock to achieve vision, see attached;

Settlement in Eastern Division Soroti Municipal Council

Source: primary data (observation)

4.9.1.2   Risk Assessment and Budget Output.

Theme: 2 staffing and funding gap

The finding on risk assessment showed that in education sector enrolment of pupils was high, raised the teacher pupil ratio, reporting procedure for the new policy instrument was very long, and funding of activities in the work plan was not 100%.

Works department faced challenges like low funding of their activities, staffing gap, land tenure system that slow down development, conflict of interest within the system, frequent budget cuts, late disbursement of funds, and release of funds at the same time to all entities making sharing of

equipment difficult, shortage of road equipment, long procurement process and delay in project life span due to unavoidable circumstances.

In Finance department, study further found out that very little development funds are released to municipality. Discrepancies in release of funds from IPF (DDEG, CDD, FAL, NUSAF), many people involved in collection of rates are not effective, revenue collected get lost and misappropriated.

Rules and regulations

Environment sector faced risk of encroachment on its forest reserves, rocks, wetland, open space & green belt, poor waste management by dumping anywhere and burning caused pollution of the surrounding.

The study found out that there was under staffing in planning unit, only one senior planner, low funding of activities and shortage of necessary equipment. In the Audit section the study revealed that Fuel management was problematic, PAC recommended action, parking fees has dropped by 90% due to political intervention, from 80,000ugx per day to 8,000ugx per, public assets remain in the hands of individual officers beyond government standing order stipulated time, and delayed funding.

Statutory bodies met difficulties in explaining and interpreting the existing law, for instance 30% tax levy on emoluments of council members, delay in release of monthly ex-gracie and influence of political decisions. Community based services was not any better observance of 7 day requirement for notices of meetings, poor attendance of community meetings, low concentration and men kept away from meetings constituted a risk

The study further discovered that in the health sector shortages are common in deliveries. Staffing level was low morale was equally affected manifested in absenteeism, late coming, early departure

from work, giving more time to private work, difficulty in integrating information technology with manual aspects of medical work, challenges that come with work in an urban set up in modern times, stagnation of staff both on promotion and salary, largely negative attitude towards work and open threats to health workers especially heads of units for decisions they take. Health workers have not appreciated the work methods of the state house health monitoring teams whose first line thought of an error was fraud and no clear terms of reference. The population pressure is overstretching the resources and service delivery was affected in all the facilities, the units need expansion but available land area was small.

Production and marketing sector indeed was lowly staffed yet very big in scope among other issues was confronting problem of maintaining public health and hygiene in selling & consumption points where regulations are openly violated (no medical record of those handling meat), mismatch in activities of NAADS/OWC beneficiaries are given inputs and training may be done late yet should have come first, duplication of duties and most times conflicting activities by MDAs, for example, LGs the beneficiary of World Bank funded markets, the construction are coordinated by ministry of trade

4.9.1.3   Control Activities and Budget Output

Theme: 3 monitoring and supervision

Basing on the qualitative analysis carried out on control activities and budget output, findings showed that health monitoring teams are actively involved in ensuring transparency in the sector. The records of deliveries and issues of supplies are updated; registers of patients visit and treatment are administered and maintained in the facility. The study revealed that any variations away from the expected are reported to the relevant authorities in the stipulated time and manner. Sometimes they are addressed through public-private partnerships, for example ARVs partners like TASO and

Uganda Cares are asked to fill in the shortfall. Prioritize resource utilization, for instance inadequacy of accommodation begin with the critical staff, dealing with attitude encourage regular staff meetings, handle welfare issues through discussions, delegate authority and transfers

The Schools are inspected regularly, heads of the schools by law are required to compile supervision reports showing staff who were seen in class and those who were not seen with reasons, ensure teaching is effective following the curriculum, staff development policy where the majority teachers are for in service training and transfers are routine.

In works sector, the study revealed that main activities included out sourcing service providers to take up road works at a wet rate (all running costs included) involvement road over seers, to monitor the progress of the work, report to the engineers who in turn make assessment for action, 30 members of the road gangs 10 for each division and a gang leader, they are meant to clear the roads from any unwanted material (debris, dead animals, blockage). It was found out that USMID road project in the Soroti Municipality delayed because of the technical problem with the contractors. Contracts were clustered (Soroti, Mbale, and Tororo) as one example, contract was terminated, a new contraction was sourced and the site was handed over to the new contractors on 14th /12/2017.

Approved plan and designs

The study revealed that the design of the roads in each municipality was different based on technical information available to the consultants hired for the purpose, the contract requirement demanded that municipal engineer be a registered professional with the regulatory body. The council resolved on the sets of activities intended to improve the face of the municipality that included keen interest on approval of building plans along, buildings along the main street be storied, lease that ran out are renewed with conditions that meet the new standard set matching the best practice across

municipalities and proposed cities. An example of recommended structures is seen in this photograph below.

Figure 2: New building on main street Soroti Municipality

Source: primary data (observation)

Information management system

The study revealed that for finance and audit IFMS was a good control in financial management, requisition for funds followed the agreed procedure sector by sector, and intensify revenue mobilization, involvement of court bailiffs to enforce compliance verification teams ensure correctness of records. Management effort to expand the tax base included identifying new tax sources, contracting professional valuers to correctly value the property within the municipal authority, enumeration of taxable persons in the municipal area, sensitization of the tax payers on their tax obligation, council resolution to construct along main street only storied buildings, ground rates to be based on square meters occupied away from the traditional method that considered only the area occupied. The building below fitted in the specification recommended in the council resolution, (storied and square metres occupied for ground rent assessment)

Figure: 3 Landmark Hotel in town Centre

Source: primary data (Observation)

Other measures intended for improvement of revenue collection are controls and checks of the entrance of the market, so that only certified items are allowed, public health department to be vigilant in operations at the consumption points like hotels, restaurant and market so that only food recommended as worth human consumption is allowed, illegal business within the municipality be deregistered and encourage value addition to products.

Production and marketing do routine inspection to enforce compliance with rules and regulations, for example animal hygiene, medical records of persons handling food, "buy Uganda build Uganda" policy, issue of certificate to cattle traders.

Control activities for statutory bodies included council approval of scheduled activities, capacity building training sessions to council members on PPDA procedures, revenue mobilization, and management training for committee chairpersons.

4.10   Key informant interview

Theme: 1 Work plans

The researcher had an interface with some retirees who revealed that overall they are satisfied with the council administration work which they do within the means and resources available them.

Rules and regulations.

They noted that there were some irregularities in computation of gratuity, salary variations for cadres of same scale were common and IPPS fault was responsible error in the payroll system.

4.11   Findings on Focus group discussions

The researcher inquired 5 Focus discussion groups each of them 6 members, where the discussion was based on service delivery in Soroti Municipal Council**.**

Theme: 1 work plans

Participants in each the groups 1,2,3,4 and 5 agreed that services reached them according to the plan as in; health services (health centres in every division, primary schools in every village, communities are mobilized in income generating activities, government programs were communicated through the relevant authorities, the road network is generally good but its maintenance delays due to shortage of funds.

Set rules and regulations

The civic leaders are responsible and committed, they monitored government programs and ensured quality of services delivered the population; specification did not change in the BOQ without authority and justification as the law provided in the role of executive arm of the council.

4.12 Findings from observation check list

The finding from observation check list established that, the management team of the council followed the rules and regulations stipulated in the legal instruments for all municipal projects examples included work plan for departments are approved by the relevant authorities, designs of the projects are sought from professionals /consultants who prepared them according to the requirements to meet the objectives observed in the council meetings, conference held (budget conference 27/11/2017 at desert island hotel) and various sectoral meetings. Projects observed are, out of 18 p/schools only 7 are not fenced and 2 fencing work was in progress. 3 health centres are fenced with gates, but only one LCIV was manned by security officer, USMID road project had stalled, contract terminated at 50% completion stage.

Figure 4: Stalled USMID Road Section in Soroti Town

 Source: primary data (Observation)

Drainage system on most roads was opened, and some few had not been opened.

Slashing of grass along the roads was regular. It was observed that public health department had a challenge of equipment for collection of garbage, for example in Pamba, a mountain of garbage at the road junction to Pamba primary school, and was evidence the challenges the department was

dealing with. It was observed that re-location of the businesses away from the main market started to pave way for the reconstruction currently on-going, the new site has been cleared, demarcated and business in their categories moved.

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0   Introduction

This chapter provided summary, discussion of findings, conclusion and recommendations to the study conducted on internal control system and budget output in Soroti Municipal Council based on the objectives of the study**.** The objectives of this study were to establish the contribution of control environment on budget output, to find out the effect of risk assessment on desired output in the budget cycle and to ascertain relationship between control activities and budget output.

5.1   Summary of the findings

Response rate was 176 returned, 49 not returned out of 225 distributed represented by 78.2% and 21.8% respectively. Majority respondents were male at 50.6%, female 47.2% and others at 2.3%. The dominant age group was 31-35 years represented by 22.7% and majority of them married represented by 57.4%.

Internal Control System

Majority respondents agreed strongly that it yielded budget output desired and that Soroti Municipal Council had a functional internal control system shown by the average mean of 4.19 and standard deviation of 0.714 as effective efficient and economical.

Control environment on budget output in Soroti Municipal Council

The average mean for control environment and budget output was 4.012 that implied majority respondents agreed with the items raised on control environment and budget output, that management demonstrated integrity, ethical behaviour while on duty, management assigned authority and responsibility, and management exhibited commitment and competence in their

schedule of duty, audit committee was fully functional and worked in accordance with guidelines issued, staff leave was granted as a mandatory requirement for public servants, and staff are involved in decision making. Control environment was associated with a positive change in budget output and brought in increased quality of services delivered.

Risk assessment on budget output of Soroti Municipal Council

The average mean in risk assessment was 3.47 and meant majority of respondents were not sure of the items raised, for instance budget limiting factors identified, determining budget limiting factor that need control, and determining controls required to manage the limiting factors disagreed with a mean of 2.86

Control activities on budget output in Soroti Municipal Council.

Majority respondents agreed with items raised on control activities, given a high mean of 4.00. Further evidence was found that controls are designed to prevent occurrence of error anticipated, controls are designed to detect errors before occurrence, periodic reconciliation was made between actual quantity and records available, authorization was granted for use of software program (payroll preparation), access to use of software restricted to authorized persons, information prepared was properly given authorization and application system development and maintenance authorization was based on established policy.

Budget output

The majority respondents were not sure about items raised in the budget output. However, some of them were in agreement like the requirement in law to prepare a balanced budget by all LGs, periodically actual data from accomplished activities are compared with corresponding budgeted data; management demonstrated integrity in ensuring a balanced budget was achieved. Budget

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limiting factors were identified, analyzed, risk evaluated, and controls were determined, appropriate control measures were applied to ensure budget output was achieved (revenue collection, resource utilization and quality service delivery).

5.2 Discussion of the findings

The discussions of the findings included; arguments, opinions, and views of other scholars as were presented in the literature reviewed. The order of the discussions was done objective by objective.

Internal control system

The finding strongly showed a good yield of budget output desired and that SMC had a functional internal control system measured in effectiveness, efficiency and economy of management operations and service delivery.

ISA 315 stated that internal control system are designed on the premise that control was more than a set of rules and procedures but a whole structure of events and activities for attitude change, (IFAC 2016). The majority of the respondents being male employees, married and in the youthful age bracket contributed to the budget output in the period under study through existence of a functional internal control system demonstrated in part by the kilometres of new roads opened and 2017 PLE results SMC at position 23 with 78% pass in division 1and 2.

Control environment on budget output

Based on the finding, it was revealed that there was a significant positive relationship between control environment and budget output. LGFAR, (2007), that stated responsibility of heads of department to the council was to institute sound programs, with consistent guidance given by the chief finance officer, for planning, appraisal, authorization and control of their operations in order

to achieve persistent improvement on economy, efficiency and effectiveness and realizing their financial performance targets for the period, which concurs with the finding.

Millichamp, A. and Taylor, J.R., (2008) said that management and employees should institute and maintain an environment all through the organization that sets a positive and supportive attitude towards internal control and conscientious management. Control setting determined the degree of risk the entity was willing to take and management's philosophy towards performance-based management. The attitude of management toward reporting, information technology and accounting functions, and responsiveness to audits and evaluations played a big part in this component, (Verbeeten F. H.M., 2011). Top management of SMC was constituted by seasoned administrators with good leadership attributes and knowledge that provided a desirable control environment intended for high budget output. However, modern day management challenges also existed among others dealing with over stretched staff, low welfare incentives, divided loyalty between private work and official assignment coupled with attitude problems because of understaffing and resource constraints affecting quality service delivery

Risk assessment on budget output

The finding of risk assessment on budget output showed weak positive relationship which was significant. Kamukama, (2005), however, argued that the budget problem factor, which at a time, was an occurrence that actively impeded the accomplishment of organization activities as planned. The limiting factor be identified, evaluated and the effect on each budget centre carefully assessed during next budget preparation process, (Zahirul, 2016). The cost of risk management should not exceed the benefit ascertained, as the value in risk management found was the continued enhancement of budget output. The weak relationship between risk assessment and budget output was partly because it (risk) was taken for granted that public sector output was not affected by risks

yet appropriate risk management strategies was crucial in efficient, effective, economical and timely service delivery.

Control activities on budget output.

The study found out that there was significant positive relationship between control activities and budget output. However, Caiden, (2010) cited in Goddard, A & Mkasiwa, T.A. (2016), said that physical control took account of safety of the asset itself, restricted access to only certified people, and at regular intervals reconciled the quantities on hand with the quantities recorded in the books. Verbeeten, F. H.M, (2011), said that information process control was used to verify accuracy, completeness, and authorization of transactions of information. Common performance review included; comparing real data to budgeted data or preceding period data, working data to financial data, and data from inside and across sundry units, (Zahirul H., 2016).

Wendy, J., (2006),concurred with the previous studies that, there was a move away from the focal point of conformity and control en route from efficiency, effectiveness and cost cutting all the way through the introduction of business-like practices and competitive market orientation (clear goals, corporate strategic plan, and robust output performance measurement). Management techniques used in promoting these changes have integrated redesign of structure of entities, re-engineering budget practice and performance agreement, (Verbeeten, 2011). In view of the finding and literature reviewed, supervision was central in control activities when clearly set out output with achievable targets in the anticipated conditions. This calls for the exercise of a dynamic leadership style that is not contested, gives hope to the subordinates and inspires them to do better both at personal and organizational level.

Budget output

Estimates must include revenue which is realistic from predictable conditions and disbursement which is to be incurred under efficient financial administration and control, (LGFAR, 2007). Therefore the objective for which a public sector entity prepares a given budget to achieve is the budget output intended as a target at the end of the budget period. Achieving a performance culture means managing results, not only rules and compliance. Hence, emphasis should be put on performance and flexibility rather than on controls, improved transparency and accountability, transformational leadership with community support for success, for example storey structure development in the Municipality, opening of new roads, tax compliance among others should be visible.

Revenue collection

The amount of money anticipated to be collected by an entity in a given period from various revenue heads (property tax, trading license, ground rent, fees)

Local revenue: LGFAR, (2007) expects local councils to ensure collection of the planned local revenue in an approved manner. Assessment of local revenue target reported significant drop in collection of this revenue in 59 councils totaling to Sh23, 974,340,977. The small local revenue collection was as a result of failure to carry out revenue enumeration and assessments, lack of enforcement of contracts with out-sourced revenue collectors, below capacity staffing and improper way of keeping revenue records. Oketch, M, L., (2015), reported that LGs heavily depended on transfers from central government for financing on average 92%, 5% donor funding and 2% local revenue. LGs required new public management model to address the low revenue volume through correct tax administration mechanism, improved supervision and contract management as well human resource planning purposed to enhance revenue performance the framework which services

are delivered to the people. Effort needed to be stepped up in local tax administration particularly widening the tax base by identifying new tax areas and closing the gaps mentioned in the collection modality to include strategic plan and mission vital in dictating a particular performance measurement practice, with the aim of raising the local revenue collection above the 2%

Central government transfer

This is the amount of disbursement from the central government to its ministries, departments and agencies as grant in a given period of time as a financial year.

Estimates and actual transfers are divided into recurrent budget and capital development budget, (LGFAR 2007). The constitution provides for transfer to LGs to be in form of conditional, unconditional and equalization grants. The proportions of the grants are represented as; conditional grant at 95%, unconditional transfer 4% and equalization transfer 1%.

Re-current expenditure

Recurrent budget expenditure is expenses incurred by an administrative unit and whose benefit is derived within a financial period, and estimate shall be divided departments, sections and subsections. Grant transfer to LGs for 2014/15 was 88% for wage recurrent, 98% for non-wage recurrent and 80% for domestic development, (Audited Accounts for F/Y 2015/16).The percentage shown ought to be raised to 100% because the short fall was the reason some civil servants are not paid salary and salary variance for staff in the same scale. Cases of pensioners money delaying to be paid has still remained a challenge and fresh retirees entry into pensioner payroll takes a long time without clear explanation causing a host of them to lead a squalid life, while others don't make it to the 3rd anniversary of retirement.

Development expenditure

Capital development expenditure is expenditure incurred by an administrative unit on physical infrastructure and human capital development beyond a financial year and benefit spread over long term period. The LGs have been allocated a total of sh120b for their development expenditure for both 3rd and 4th quarter. Front loading development budget for LGs was meant to have ample and readily available resources to expeditiously implement their development projects, (Mulondo, M., 2018). Commissioner budgeting was quoted to have said that, some districts do not requisition for the funds in time from the ministry leading to underutilization. Some delay to submit warrant requests and invoicing which are done online. No detailed budget breakdown of their priorities and when the ministry would wire the money, it would bounce yet it also true that the government online IFMS sometimes fails, this delays the LG submission of financial request in time and therefore, failure to meet the desired output for the period

Resource utilization/absorption

Auditor General's report, (2015), indicated that USMID project (Uganda Support to Municipal Infrastructure Development) did not utilize in full funds availed to them totaling to Ugx.63, 141,565,615. Under absorption capacity of the USMID fund was due to the failure of the Municipal authority to timely procure key tools and equipment for survey work, engineering and technical design probably lack of technical knowhow in procurement of such specialized equipment and was as well attributed to failure to attract worthy bidders for the kind of job. Municipal councils are on the decline in terms of absorption fully from 84% in 2014/15 to 82% in 2015/16 and a sharp decline to 76% in 2016/17 despite 100% budget consumption, (Manzil, I.A. 2017). The working for outcomes in resource utilization framework should provide entities with tools necessary to effectively monitor, evaluate and improve their performance in the delivery of output to the community ensuring value for money.

Quality service delivery

The detailed estimate of disbursement are shown under the appropriate codes for the program, sub-program and items of expenditure, under the following classification as service points; administration, finance, statutory bodies, production, health, education, works, natural resources, community based services, planning unit and internal audit. Auditor General's report, (2015), stated that failure to put to use the allocated funds suggested lack of capacity to effectively implement program disadvantaging the people who are meant to benefit from this project. Accrual budgeting provides a resource management framework focused on outcomes and targets and this compliments the shift to a performance culture where public services are more responsive to government needs, Guthrie (1999), cited in Zahirul (2016). Public sector performance should have the following core elements; specification of output, performance measurement in terms of quality, quantity, timelines and cost of output to achieve desired services to the community.

5.3   Conclusion

The correlation analysis confirmed a significant positive relationship(r= 0.376) between internal control system and budget output in Soroti Municipal Council and therefore, a change in internal control system brought in a change in budget output.

The stakeholder theory was relevant to this study because it fed into the knowledge gap in management of public sector organizations adopting new approach to steer entities to world standards for better service delivery. The inspiration of stakeholders, or stakeholder administration, or move towards planned management, suggested that managers must originate and put into operation, process that satisfies all and not only those who have a stake in the organization.

The objective (control environment) was achieved represented by a mean in the upper end and a small deviation from the mean. During the interview session the researcher witnessed output budgeting tool meeting for heads of departments on 10th Jan. 2018, Human Resource Officer was on leave in Dec.2017 and transfers are routine. Therefore, a significant positive relationship($r = .551$) meant Soroti Municipal Council raised its level of output and in quality of services delivered.

The conclusion on risk assessment was that it did not add much value to the budget output because there existed a significant but weak positive relationship between risk assessment and budget output($r = .057$).

Control activities have a great effect on the budget output of Soroti Municipal Council since the correlation coeffiency ($r =1.14$) a significant positive relationship between control activities and budget output meant that good controls enhanced budget output.

5.4 Recommendations

The Municipal Council should conduct regular control system reviews on the basis that the foundation of modern approach to control was COSO that was hailed as a landmark study that provided a comprehensive framework against which internal control system of any organization can be objectively evaluated today.

The municipal council should put in place adequate physical control measures and procedures over the company's assets to protect these assets against theft and unauthorized access.

Control environment mainly focused on policies and procedures on human resources, authority and responsibility and organizational structure but rather be designed as a whole range of structural events and activities for attitude change.

Internal control policies should be changed frequently based on changing business environment especially for human resources such as for employees' recruitment, socialization programme, probationary period, training programmes and there should be a committee within management to deal with this headed by audit department.

Appropriate risk management strategies be adopted by Soroti Municipal Council to enhance its budget output, risks can be transferred (insurance policy), risk avoided (stop a transaction), risk accepted (prepare mitigation measures) and risk shared, but do cost-benefit analysis in risk management strategy.

MDAs and SMC should be responsible for output achieved at the end of period instead of merely attempting to avoid errors by following regulations, processes and set standards.

5.6 Limitation of the Study

The research study took long to conduct, particularly face-to-face interviews, key informants interviews and focus group discussions. This was because some respondents were not willing to give the interview; those who afforded time didn't allow voice recording. Adopting a mixed method approach required great amount of knowledge and skill to integrate the findings and make meaning out of them which involved time. The researcher managed the limitations through a combination of approaches, one being patient to allow time to respondents make their mind, allowed interviews not voice recorded and read extensively to use the mixed methods approach.

5.7 Areas for further research

The study investigated the relationship between internal control system and budget output in public sector organizations, with control environment, risk assessment and control activities. However the

researcher recommends the following areas for further research in Municipal Councils and other public sector entities

i) The effect of Monitoring and evaluation on budget output in public sector organizations.

ii) The effect of Communication on budget output in public sector organizations.

iii) The effect of Leadership on budget output in public sector organizations.

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APPENDICES
QUESTIONNAIRE

Dear respondent,

My name is Olo Charles Martin Reg. No. 16/MMSFM/39/182 a master's student of Uganda Management Institute. I am carrying out an academic research on Internal Control System and Budget output in Public Sector Organizations: a case of Soroti Municipal Council, the findings of this study will be treated confidentially and only be used to write a dissertation for the award of a Masters of Management Studies-Financial Management. Your participation is voluntary, highly valued and indeed appreciated; your name is not a requirement. There is no wrong or correct answer but please try to be very truthful and honest in all your responses.

SA=Strongly Agree, A=Agree, N=None, SD= Strongly Disagree and D=Disagree Kindly answer the questions below by ticking (√) in the appropriate box

1. Sex: M   F

2. Age group: 26-30   31-35   36-40   41-45   46-50   51-55   56-60

3. Marital status: Single   Married   Others

4. Current job title:...........................

5. Length of time worked in the position your holding now: ......

S/no	Internal Control System	SA	A	N	SD	D
1.	Does your organization have a functional internal control system in place?					
2.	Internal control system achieves efficiency in management					
3.	Internal control system achieves effectiveness in management					
4.	Internal control system achieves economy in management					
	Control environment					
5.	Management demonstrates integrity and ethical behaviour in their schedule of duty in achieving organizational objectives					
6.	Management and staff show commitment and competence in their schedule of duties					
7.	Political leadership participates actively in the supervisory/guidance role expected of them					
8.	Audit committees are fully functional and work in accordance with guidelines issued					
9.	Management employs new public management approach and involves all staff in decision making process					

10.	Management assigns authority and responsibility to its members in order to achieve specific objectives					
11.	Staff recruitment follows established public service guidelines					
12.	Staff development scheme is implemented in a free and fair manner to the benefit of the organization					
13.	Leave for staff is granted as a mandatory requirement for public servants					
14.	Transfer and promotion policies are well laid down and operational in your organization					
	Risk Assessment					
15.	Budget limiting factors (budget constraints) are identified as a risk during the budgeting process					
16.	Budget limiting factors (budget constraints) are analyzed to establish the relevant risk					
17.	Do you determine budget limiting factors (budget constraints) that need to be controlled?					
18.	How do you determine the controls required to manage the budget limiting factors(budget constraints)					
	Control activities					
19.	The use of assets in your organization is controlled using established public service standing orders					
20.	Controls are designed to prevent occurrence of error anticipated					
21.	Controls are designed such that errors are detected before occurrence					
22.	Controls are designed such that errors corrected are known					
23.	Security of public assets are guaranteed by management effort					
24.	Access to public assets is limited to only authorized people					
25.	Periodic reconciliation is made between the actual quantities and records of assets availed					
	Information Processing Control					

26.	Information is prepared with the level of accuracy required					
27.	Information is prepared with the level of completion required					
28.	Information prepared is properly given authorization					
29.	There is an established policy on systems software acquisition and its maintenance					
30.	Access to use of systems software is restricted to authorized persons					
31.	Application systems development and maintenance authorization is based on an established policy					
32.	Authorization is granted to run a software program, i.e. preparation of payroll					
	Performance reviews					
33.	Periodically, actual data produced from accomplished activities are compared with corresponding budgeted data					
34.	Periodic operating data is compared with corresponding financial data					
35.	Comparison of data generated is done against the previous period and across the various units of the organization					
36.	The law demands the preparation of a balanced budget by L.G					
37.	Management demonstrates integrity, in ensuring a balanced budget is achieved					
38.	Management demonstrates commitment in ensuring a balanced budget is achieved					
39.	Management demonstrates competence in ensuring a balanced budget is achieved					
40.	Budget limiting factors are identified, assessed, analyzed, risk evaluated, ranked and controls are determined, appropriate control measures are applied to ensure budget target are achieved					

	Revenue collection targets					
41.	All revenue budgeted is collected by the end of the financial period					
42.	Collections from all local revenue heads are realized by L.G					
43.	Central government releases all grants communicated at the national budget conference as indicative figures for the financial year					
44.	Revenue from other sources of income are disbursed to L.G as planned					
	Resource utilization/absorption level					
45.	Resources/funds allocated in respect to recurrent expenditure is utilized in full					
46.	The funds utilized in full, is directed for its intended purpose					
47.	Resources/funds allocated for development/capital expenditure are utilized in full					
48.	Funds utilized in full is directed for planned projects budgeted for in the fiscal year					
49.	Project implementation is taken to completion stage in the timeframe agreed					
50.	Project implementation is completed according to the design in quantity and specification					
51.	Public services are delivered to the population according to budgeted needs					
52.	Public services delivered meet and match with the population needs of your community					
53.	Public services delivered meet the quantity specification and the stipulated design					

THANK YOU FOR YOUR TIME

INTERVIEW GUIDE

1. Organizational vision mission statement, goals and objectives

2. Existence of internal control in an organization

3. What controls are place for use in an organization (control environment, risk assessment and control activities)

4. Budget and budgeting procedures (sources of revenue, revenue collection, revenue targets, revenue utilization capacity and services delivered)

5. Budgetary controls in place

6. Control environment and budget output

7. Risk assessment and budget output

8. Control activities and budget output

OBSERVATION CHECKLIST

1. Project design

2. Identified municipal projects

3. Internal control procedures

4. Progression of project work

5. Quality of project work in progress

6. Quality of work on completed projects

7. Identified uncompleted projects and stage of completion

8. Identified stalled project work

9. Public health work plan and individual activities in the schedule

SCHEDULE OF THEMATIC REVIEW OF QUALITATIVE DATA

Control environment and budget output

Themes: work plans

Set rules and regulations

Vision, mission, goals and objectives

Risk assessment and budget output

Themes : Staffing and funding gaps

Rules and regulations

Control activities and budget output

Themes : Monitoring and supervision

 Approved plan and designs

Management information systems