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Internal Control and Budget Implementation in Kabale District Uganda

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Abstract: ***The study saught to establish the effects of internal control systems on the budget implementation in Kabale district local government. A cross sectional study design was used and a sample of 176 respondents was chosen for the study. The study found a correlation between internal control and budget implementation (r = .568; sig. < .05) which was moderate. The study revealed that Kabale district local government had the internal controls systems mechanisms to manage risks but the actual management of risks and fraud was indeed very weak. Segregation of duties and periodical evaluation of staff were low. The policy makers at Kabale district local governments demonstrate oversight to implementation of planned activities just for the sake, otherwise, proposed projects were poorly coordinated and in some cases abandoned before completion. Though there appeared to be evidence of operating surplus budgets, the time when such budgets were passed remain in obscure to a number of concerned citizens. Internal control systems on budget implementation were indeed small and attributed majorly to management's laxity in enforcing the existing internal controls. The study therefore recommends that Government, through the concerned organs should hold accountable the persons in charge of overseeing national and local government programs. Management at local government level should tighten and strengthen the internal control systems, sensitize local government staff at all levels to ensure adherence to existing controls to minimize fraud or corruption and reporting errors as much as possible. There is urgent need to evaluate local government staff and segregate their duties.***

Keywords: Internal Control, financial Management, Budget Implementation

1. Introduction

Internal control systems and budget implementation are characteristic features of a decent public administration system having a sound public finance system in place, which manages public finance in a way that minimizes deficits and ensures value for money to taxpayers. Resources are properly allocated and that political decision-makers are able to base their decision on a solid institutional and procedural basis, as well as to secure a system that would also give some guarantees that errors of a large magnitude, fraud and extravagance are, if not completely eliminated, at least very unlikely to occur or to prosper(Ulrika, 2009).The public sector landscape is rapidly changing with an increasing emphasis on fiscal management and discipline, prioritization of expenditure and value for money. As a result it is even more important that international donors, governments, national and local institutions, including regulators and professional accountancy bodies, work together in partnership to achieve long-lasting improvements, transparency and accountability in public financial management (The Association of Chartered Certified Accountants, 2010).In Uganda, the fiscal stance for FY 2016/17 focused on addressing infrastructural constraints in the economy. However, the implementation of the budget was affected by lower domestic revenue and slow execution of infrastructural projects. Preliminary fiscal data for 2016/17 indicates total government revenue amounting to UGX 13,896.5 billion, which was lower than the approved budget by UGX 783.5 billion. This underperformance was due to lower project support grants and tax revenue, which respectively underperformed by UGX. 816.3 billion and UGX. 16.7 billion (Bank of Uganda, 2017). The Auditor General, in part noted that the risk of not detecting misstatements resulting from fraud was higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. The existence of budget implementation and internal control systems challenges at central government level is evidence enough for similar challenges at local government level.

In the simplest language, local governments miss management of the local affairs by the people of a locality. Locality stands for a restricted area like a village, a group of villages, a town or a city. A town or city, a village or a district are allowed by law to administer their local services through own direct efforts or their local authority in a manner suiting local needs peculiarities and wishes. In essence, it enjoys an autonomous status which entitles it to take certain legislative, administrative and financial decisions including budgeting though under the conditions and within the limits of law (Ugoh & Ukpere, 2009). While many studies have been conducted to ascertain the relationship of internal control systems variables of a number of financial performance variables in local governments elsewhere in the globe (Ugoh & Ukpere, 2009); Nyakarura, Ireri, & Lyria, 2016; Gachoka, Aduda, & Okiro, 2018; and Vaclovas & Lukas, 2012; a Ugandan perspective, particularly in Western Uganda is still lacking. The current study tried to examine the scope of internal control systems and budget implementation in selected local government in western Uganda. The study gave attention to the state of the existing internal control systems, and the challenges associated to budget implementation. Though mechanisms for prudent financial management at local government level have been instituted, particularly through the budget, which is next to the supreme laws; budget outputs are still at compromise. Tasks between government and district concils have been spelt out in the constitution and appropriate rules of procedure enacted. Despite these, budget disciplne and cash control have not been ensured; lessening the importance given to budget approvals and more to the discussion and approval of report on budget execution.

1.1 Problem Statement

Internal control systems are checks put in place by any organization to help in the daily management of the organization. Uganda government has procedures of doing things and one of it is budgeting. Every government unit should have a budget for its operations and over the years, budget implementation has become a challenge to local governments and other government agencies. The Integreted financial management system(IFMS) was introduced by the government of Uganda as one of the internal control system in management of any money by a government unit, this detected how many government ministries, units and local governments could not spend the money located to them in the the financial year and Kabale district was not exceptional, (Bank of Uganda, 2017). Poor budget implementation was attributable to inadequacy in the budget implementation plans, non-release of budgeted funds and lack of budget performance monitoring (Edeme & Nkalu, 2017). Over the years the local governments units had failed to implement its budget as most of their work plans were never implemented. The above data signifies the budget implementation was not well managed and it's upon this background that prompted the researcher conduct to this study and probably come up with recommendations which would be useful to government and other policy makers

1.2 Objective of the study

To establish the effects of internal control systems on the budget implementation in Kabale district local government.

2. Literature Review

2.1 Internal control

The aim of financial discipline is to anticipate budgetary problems before they occur. The organization has to assess whether there is a prospect of a budget overrun in any of the budget year, during the preceding year and then propose action to address this. Financial discipline and monetary discipline are two important aspects of economic discipline and their absence in the state-economy regime is very impressive, to the extent that they can be considered as an inherent and natural attribute of the state-economy regime, because their absence in the body of the bureaucracy and the governmental bureaucracy has always been strongly felt (Fariddeddin, 2015). Although the state economy is managed based on adherence to a set of statutory rules and regulations incompatible with the requirements of economics, it suffers from a non-optimality and the inherent confusion; because economic variables are not imperative and they react to the unscientific and non-violently commands. But, it must be admitted that the lack of monetary and Financial discipline has intensified the economic confusion and has made Financial and monetary policy much more inefficient. Internal control/internal control system is not one event or circumstance, but a series of actions that permeate an entity's activities. These actions occur throughout an entity's operations on an ongoing basis. They are pervasive and inherent in the way management runs the organization. Internal control is, therefore, different from the perspective of some observers, who view it as something added on to an entity's activities, or as a necessary burden. The internal control system is intertwined with an entity's activities and is most effective when it is built into the entity's infrastructure and is an integral part of the essence of the organization.

The analysis of internal control definitions shows a wide variation of definitions and their interpretations, which proves that the concept has varied aspects that are meaningful in different situations. The general aspects of internal control however, include ensuring reliable and comprehensive information, protecting the property and documents, to ensure an effective economic performance, keeping to the principles of accounting and presenting reliable financial records, obeying laws and executive acts, enterprise rules and ensuring an effective control task (Vaclovas & Lukas, 2012). An internal control system is defined as the procedures put in place to ensure protection of an organization's assets and reliability of financial reporting (Zuraidah, Razana, Jamaliah, & Takiah, 2015). They further observed that a proper financial control system ensures that the organization's managers utilize the financial resources in a way that safeguards the interests of all stakeholders. Accounting and auditing scandals throughout the world demonstrate that poor internal control, risk management and corporate governance approaches may result in major losses for both corporate and economies (Ayse, Yusuf, Selin, Arzu, & Aysel, 2013). On the other hand, current internal control system can provide a reasonable assurance to corporations on discovery of errors and risk prevention. From the perspective of Certified American Institute of Public Accountants (AICPA) Internal control comprises the plan of organization and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies (Hari, 2016).

Control activities are the mechanisms for managing risks, therefore institutions should integrate control activities with the risk assessment process. Control activities should be established in response to perceived risks, and for the purpose of financial reporting, which relates to assertions inherent in financial statements (existence or occurrence, completeness, rights and obligations, valuation and allocation and presentation and disclosure) as well as the actual risks of safeguarding assets from unauthorized acquisition and use or disposition. Internal control encompasses a set of rules, policies and procedures an organization implements to provide reasonable assurance that its financial reports are reliable, its operations are effective and efficient, and its activities comply with applicable laws and regulations (Dittmeier & Casati, 2014). The organizations' board of directors, management and other personnel are responsible for internal control systems. The control environment sets the tone of the organization, which influences the control consciousness of its people. This foundation provides discipline and structure upon which all other components of internal control are built. The control environment includes areas such as: integrity and ethical behavior, commitment to competence, board of directors and audit committee participation, management philosophy and operating style, organization structure and assignment of authority and responsibility .For a successful internal control system, risk management policies and control objectives must be progressively embedded in the control activities at all levels (Dittmeier & Casati, 2014). An efficient and effective internal control system, which presides over mitigation of risk, depends upon the ability to analyze numerous options and ultimately select the control solutions that optimize cost and benefit. A poorly designed system leaves more room for undesirable residual risks than a well-managed internal control system, after taking into account the risk appetite and risk management strategies. In order to achieve the goals and objectives, management needs to effectively balance risks and controls. Control procedures need to be developed so that they decrease risk to a level where management can accept the exposure to that risk. Proper and accurate recording of financial transactions and enhancing the accountability improve productivity and performance effectiveness (Zuraidah, Razana, Jamaliah, & Takiah, 2015). As far as public resources management are concerned, heads of government units are primarily responsible for establishing a system of internal financial controls to improve management within their jurisdiction. Heads of government should ensure that implementation of public internal control systems contributes to improvement of management processes in their units (Vasicek, Dragija, & Hladika, 2010).

Effective internal controls enhances financial management of organizations provided management ensures adequate organizational controls and that each staff knows his duties and equally ensures effective segregation of duties so as to reduce interference in terms of funds; and assets management and controls . Remolding and strengthening the position of the staff in carrying out their duties efficiently and effectively and at the same time evaluating periodically to strengthen the weaknesses in the organization reduces the likelihood of perpetrating fraud and loss of organizations funds by the staff amongst others (Ironkwe & Ordu, 2015).Implementation of internal control system will improve the financial accountability of the organization to drive decision-making by managers better, because the internal control in the public sector basically cannot be separated from efforts to improve and enhance managerial performance on a society (Kewo, 2017).

2.2 Budget implementation

Budget remains the organic instrument of public finance management of any nation. The process of budget design, formulation and implementation to a large extent determines how the public financial system of a country is organized. First, the budget is guided by laws of the land which stipulate the internal mechanisms of how agents must behave in the collection and spending of public revenue. Second, public finance management requires setting regulatory framework for those who are responsible for the management of budget to follow as a matter of principle (Ogujiuba & Okafor, 2013). The annual budget serves three important purposes; (i) it is a tool of management, (ii) it is a tool of accountability and transparency, and (iii) it is an instrument of economic policy. However, most budgets fail in purpose not from a lack of technical expertise or design but from lack of commitment to good governance for the effective implementation of the budget (Ojarikre, 2014).The aspect of control in budget implementation is to ensure required activities are carried out on time, economical, efficient and effective in accordance with established procedures. Budget implementation is the budgeting process that involves disbursing funds to the various departments for expenditure on overhead costs. The budget proceeds are spent on either capital or recurrent expenditure. Capital expenditure funds developmental projects within the fiscal year while recurrent expenditure funds overhead cost like wages and rent. The significance of the implementation level in the budgetary process is underscored by the fact that it is the stage when the council will give flesh to its developmental goals and strategies. Thus, any government that effectively manages this level could be said to have achieved its set goals for the fiscal year (Ugoh & Ukpere, 2009).

Adequate implementation of budget in the country especially in areas of economic services and socio community services has a significant capacity to trigger growth of the economy, which culminates into economic development in the long run and general overhaul of ministries, government agencies and parastatals to curb, increase and correct loopholes impeding effective and efficient implementation of national budgets in the country (Olaoye, Oaoye, & Afolabi, 2017). Poor and insufficient level of budget implementation impedes desired development. Poor budget implementation is attributable to inadequacy in the budget implementation plans, non-release of budgeted funds and lack of budget performance monitoring (Edeme & Nkalu, 2017).The absence of strict observance of budget discipline by the executive to guide against extra-budgetary spending suffers budget implementation. Budget implementation problem occurs when the desired result on the target beneficiaries is not actualized. Such problems are associated to deficit budgeting, delay in passage of the budget by the legislature and ineffective oversight by the legislative arm of government (Olurankinse & Oloruntoba, 2017). They further noted that there could be implementation gap as a result of factors which could arise from the budget implementers or the environment in which the budget policy has been made. Implementation gap arises from the budget itself when such budget emanates from the government rather than from the target groups. The challenges of budget implementation could be related to institutional constraints, capacity on use of IFMIS and oversight and audit function (Nyakarura, Ireri, & Lyria, 2016). Institutional constraints include resistance to change, inadequate technology and lack of human resource capacity to effectively implementation budget in the organization.

At state level, budget implementation is carried out by line ministries who enforce spending limits as stipulated by parliament, and the ministry of finance supervises these limits. The ministry of finance monitors and controls the flow of expenditures during the year on the basis of a unified system of financial accounts. Line ministries make regular reports to the ministry of finance that compares actual spending with monthly forecasts based on the budget appropriations. Parliament and the council of ministers should have appropriate responsibilities for reviewing periodic reports on financial performance relative to the budget and for revising targets and/or policies as required by changed economic or financial circumstances (Djurović-Todorović & Djordjević, 2009).The budget implementation consists of various stages , Preparation of cash flow plans by line departments and county treasury to project the levels of expenditure, revenue and debt; release of funds to the county operation account through warrants; Procurement of goods by departments; Commitment of funds, that is an indication that funds will be spent on particular goods and services and are no longer available for other purposes; Delivery of goods and verification that they meet the terms of the order or contract and Payment for the goods and services(Mwai, Mbiti, & Kiama, 2017). Budget implementation involves ensuring the proposals made in the budget are effected and that pro-grams incorporated there in are undertaken and implemented effectively. The members of the public are sup-posed to follow these projects and ensure their proposals are input in the budget and that the resources allocated to them are efficiently utilized. The county citizens are able to hold to account the state actors and county officials who in turn become responsive to the interests of the citizen.

The challenge in budget implementation lies with the institution weaknesses. The success of the budget process depends on introducing institutional arrangements that provide corrective incentives and assist in balancing priorities with affordability (Wangechi, 2010). The budget implementation has become a challenge to institution because of weaknesses in the planning and budget process. Poor forecasting ability has made the budgets to be prepared without consistent and reliable forecasts of macroeconomics performance and analysis of the implication for the budget. Stripped of all technicalities, implementation problem in most developing nations is the problem of widening gap between intentions and results. Implementation gap results from the budget policy itself, the budget maker(s), the budget implementers or the environment in which the budget policy has been made (Ezenwafor, 2011). Implementation gap arises from the budget itself when such budget mates from the government rather than from the target groups. Secondly, implementation gap arises when policy (budget) makers do not take into consideration the social, political, economic and administrative variables when analyzing for budget formulation is another cause of implementation gap. Thirdly, bribery and corruption, where huge amounts of money are earmarked for a project but substantial amounts are stolen by the officers in charge of projects. Fourthly, inadequate definition of goals, which results in over-ambitious policy goals and choice of inappropriate organizational structure in implementation of policies.

3. Methodology

The research design used was cross sectional. Both quantitative and qualitative approaches were used. A sample of 176 was chosen for the study. The data was collected from top management, heads of departments, and staff of Kabale district local government. The researcher adopted purposely and random sampling in the study .A structured questionnaire was developed using a 5-point Likert scale ranging from 5-1 where (5 is strongly agree and 1 is strongly disagree).

3.1 Data analysis

A Factor analysis was used in determining the accuracy and measuring the instrument. Cooper and Schinder (2011) noted that factor analysis looks for patterns among variables to discover if underlying combinations of original variables can summarize the original set and reduce variables to a manageable size. Correlation and regression analysis were also used

4. Results and Interpretation

4.1 Background Characteristics

The study sought to understand respondents' characteristics in terms of gender, the findings indicate that (53.4%) were male while (46.6%) were female, which indicates that the male dominated the study. Considering the age distribution of the participants, (71.0%) were 20 years and above but below 40, while 29% were 40 years and above. This indicates that majority of the respondents were in the active working age group. Regarding their marital status, (70.5%) were married, (26.7%) were single while (2.85) indicated the "others" option, which represented majorly the separated and the widows/widowers. These statistics indicated that most of the participants had additional roles as parents. An analysis of their highest level of education found that (76.7%) were tertiary graduates, (13.1%) were university graduates while (10.2%) had attained secondary level education. In addition, (35.8%) had a professional experience of less than 5 years, (38.1%) had a professional experience of 5 years and above but not exceeding 10 years, while (26.1%) had a professional experience of 10 years and above. This indicates that the participants were experienced enough to attend to the claims raised in the questionnaire. To understand their field expertise, (83.0%) belonged to management, (5.1%) belonged to finance, (9.7%) belonged to procurement while (2.3%) belonged to works. Those who belonged to works could have been either working at town councils, divisions or municipality.

4.2 Data Reduction

The purpose of factor analysis was replacing them with a few that are uncorrelated.

Table 1: Factor Analysis - Internal Control Systems Indicators

SN	Claims	Component		
		1	2	3
1	Segregation of staff duties	0.6555		
2	Operational efficiency	0.6225		
3	Commitment to competence	0.6190		
4	Management of risks mechanism	0.6133		
5	Loss of organizational funds	0.6084		
6	Corporate governance		0.5336	
7	Interest of stakeholders		0.5236	
8	Protection of documents		0.5161	
9	Management of risks			0.4847
10	Evaluation of staff			0.4776
	Total	3.652463	2.482015	1.878188
	% of Variance	14.60985	9.928062	7.512754
	Cumulative %	14.60985	24.53791	32.05067

From the data reduction above, only 10 variables appeared with highly uncorrelated variables and would be used to explain the amount of variation in the original variables. Specifically, internal control is best explained by segregation of staff duties (r = .655), operational efficiency (r = .622), management of risks (r = .6133) and loss of organizational funds (r = .608). The second component points to corporate governance (r = .533), interest of stakeholders (r = .523) and protection of documents (r = .516). The third component was left out of this analysis since it had correlation values below 0.5. The extracted components indicate a 32.1% representation of the original data values. In other words, these items can explain about 32.1% of the variation in the original items.

Table 2: Factor Analysis -Budget Implementation

SN	Claims	Component		
		1	**2**	**3**
1	Adequacy of technology	0.6254		
2	Timely passing of operational budget	0.5978		
3	Budget discipline	0.5466		
4	Coordination of projects	0.5392		
5	Non-release of funds	0.5325		
6	Overseeing activity implementation	0.5200		
7	Socio community expenditures	0.5041		
8	Surplus operational budget		0.5183	
9	Abandonment of projects			0.5402
10	Independence of budget execution			0.5854
	Total	**3.916892**	**3.445508**	**2.709581**
	% of Variance	**13.50653**	**11.88106**	**9.343381**
	Cumulative %	**13.50653**	**25.38759**	**34.73097**

In view of budget implementation, 10 variable indicators were extracted to explain the amount of variation in the original variables. In particular, adequate technology (r = .625), followed by timely passing of operational budget (r = .597), followed by budget discipline (r = .546) and coordination of projects (r = .539). The second extracted component points to surplus operational budget (r = .518) while the third component points to abandonment of projects (r = .540). On the whole, the extracted components explain about 34.7% of the total amount of variable in the original data.

Table 3: Internal Control Systems

Claims	Disagreement (%)	Not Sure (%)	Agreement (%)
1) Loss of organizational funds	18.8	7.4	73.9
2) Management of risks mechanism	14.8	13.1	72.2
3) Corporate governance	14.2	18.8	67.0
4) Interest of stakeholders	15.3	19.3	65.3
5) Commitment to competence	30.7	6.3	63.1
6) Protection of documents	21.0	20.5	58.5
7) Evaluation of staff	29.0	13.1	58.0
8) Segregation of staff duties	23.3	19.9	56.8
9) Operational efficiency	14.2	29.0	56.8
10) Management of risks	34.7	13.6	51.7

From the findings, it can observed that the internal control systems in the local governments investigated safeguard organizations against loss of funds by staff(73.9%), have control mechanisms to manage risks (72.2%), demonstrate good corporate governance (67.0%) and managers utilize resources in a way that safeguards the interests of stakeholders (65.3%). The study indicated low levels of agreement regarding the systems' ability to managing risks (51.7%), promote operational efficiency and segregation of duties (56.8%) and periodical evaluation of staff (58.0%).

Table 4: Budget Implementation

Claims	Disagreement (%)	Not Sure (%)	Agreement (%)
Overseeing activity implementation	27.3	22.2	50.6
Adequacy of technology	42.0	13.1	44.9
Independence of budget execution	41.5	16.5	42.0
Timely passing of operational budget	27.3	31.3	41.5
Surplus operational budget	40.9	18.8	40.3
Socio community expenditures	33.5	27.3	39.2
Abandonment of projects	46.0	14.8	39.2
Abandonment of projects	46.0	14.8	39.2
Non-release of funds	32.4	29.0	38.6
Budget discipline	38.1	26.7	35.2
Coordination of projects	47.2	18.8	34.1

The level of agreement indicated by the claims was generally below average. On average, only (50.6%) agreed that the policy makers of the local governments investigated are effective in overseeing the implementation of planned activities. Otherwise the degree of disagreement to the claims raised was indeed significant. For instance, (47.2%) disagreed with the fact local governments properly coordinates the projects proposed in the budget. In addition, (46.0%) disagreed with the fact that local governments never abandon projects till completion. About 40.9% also disagreed with the fact that local governments operate on surplus budgets. A significant percentage (31.3%) could not ascertain whether their local governments'' operational budgets are passed on time.

Regression tests

Regression tests were run to establish the extent to which internal control influences budget implementations in selected local governments in Western Uganda. Standardized beta coefficients were used instead of the unstandardized beta coefficients to allow uniformity of variables to support comparison and prediction.

Table 5: Regression Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta	B	Std. Error
(Constant)	1.592	.194		8.193	.000
Internal Control systems	.496	.055	.568	9.093	.000
R	.568(a)				
R Square	.322				
Adjusted R Square	.318				
Std. Error of the Estimate	.46888				

a Predictors: (Constant), Internal Control systems
a Dependent Variable: Budget Implementation

The study indicates that the correlation between internal control and budget implementation (r = .568; sig. < .05) is moderate and significant value less than 0.05 indicates the statistic is significant and the two variables are linearly related. This implies that a variation in internal control systems is associated to a moderate variation in budget implementation in selected local governments in western Uganda. The (Adjusted R Square = .318) indicates that internal control can predict about 31.8% of the amount of variation in budget implementation, which implies the existence of other factors beyond the model. Treated in isolation however, and assuming similar units of measuring the two variables, a variation in internal control systems by one unit contributes to 56.8% variation in the level of budget control. The t-statistic is significant implying that the predictions given by the model are better than guessing. The suggested model relating internal control systems and budget implementation is: Budget implementation = 1.592 + 0.568*(internal control systems) + ε, the error estimate in the model.

5. Discussion

The study indicated that internal control systems safeguard local governments against loss of funds by staff since they have control mechanisms to manage such risks. The findings agree with (Ironkwe & Ordu, 2015) who observed that remolding and strengthening the position of staff carrying out their duties efficiently and effectively reduces staff's likelihood of perpetrating fraud and loss of organizational funds by the staff. He observes that effective segregation of duties and ensuring each staff knows his/her duties and therefore reduces interference in terms of funds and assets management and control. The study further revealed that internal control systems in local governments demonstrate good corporate governance. The findings support (Ayse, Yusuf, Selin, Arzu, & Aysel, 2013) who noted that demonstrating good internal controls and good corporate governance approaches my save corporate and economies from major losses. The argument in support of this assertion rests on the fact that current internal controls can provide a reasonable assurance to corporations on discovery of errors and risk prevention. The study revealed that local governments utilize resources in a way that safeguards the interests of stakeholders. The results agree with (Zuraidah, Razana, Jamaliah, & Takiah, 2015)who established that a proper financial control system ensures managers utilize financial resources in a way that safeguards the interests of stakeholders. A proper internal control system provides a platform for country citizens to hold to account the state actors and country officials who in turn become responsive to the interests of the citizens. The study further revealed that the internal control systems in local governments are weak at managing risks, promoting operational efficiency, segregation of staff duties and periodically evaluating staff. The fact that the internal control systems in local governments are weak at evaluating staff periodically disagrees with (Ayse, Yusuf, Selin, Arzu, & Aysel, 2013) who had earlier observed that evaluating staff periodically strengthens the organization to a level of reducing loss of funds by staff. The same study had recommended that segregation of staff duties eliminates the likelihood of perpetration of fraud in the organization. The study found that local governments are on average effective in overseeing the implementation of planned activities. The findings agree with (Ojarikre, 2014) who established that most budgets fail not from lack of technical expertise or design but from lack of commitment to good governance for effective implementation of the budget. He noted that the aspect of control in budget implementation is to ensure that planned activities are carried out on time, economical, efficient and effective in accordance with established procedures. The study noted a moderate relationship between internal control systems and budget implementation. The findings are line with (Olaoye, Oaoye, & Afolabi, 2017) who established that correcting the loopholes impeding budget implementation has a significant capacity to trigger growth of the economy. Edeme & Nkalu (2017) noted that lack of strict observance to budget disciplne by the executive to gude against extra-budgetary spending may suffocate budget implementation. The eminent challange is that desired results on the target beneficiaries may not be actucalized. Nyakarura, Ireri, & Lyria (2016) further observed that problems of budget implementation are associated to institutional contstraints, in particular those that lack departments incharge of oversight and audit function. The study further revealed that internal control systems contribute to a very small percenatge in the level of budget implementation. This agrees with with (Bank of Uganda, 2017) report where the governor noted that the implementation of the budget was affected by lower domestic revenue and slow execution of infrastructural projects. In a related view, Edeme & Nkalu (2017) points out that poor budget implementation is attributable to the inadequacy in the budget implenetation plans, non-release of budgeted funds and lack of budget performance monitoring.

6. Conclusion

Internal control systems in Kabale District local government in Southwestern Uganda had control mechanisms that do not only manage risks but safeguard organizations against loss of funds, particularly by staff. While the internal controls had mechanisms to manage risks, the actual management of risks and fraud was indeed very weak, which may not demonstrate good corporate governance as envisaged in the findings. The fact that segregation of duties and periodical evaluation of staff to ensure accountability were low was evidence to this. The situation worsens when local governments are to remain accountable to the public. The policy makers at these local governments demonstrate oversight to implementation of planned activities just for the sake, otherwise, proposed projects are poorly coordinated and in some cases abandoned before completion. Though there appeared evidence of operating surplus budgets, the time when such budgets are passed remain in obscure to a number of concerned citizens. It can be concluded that significance of internal control systems on budget implementation in Kabale District local governments is indeed small, attributed majorly to management's laxity in enforcing the existing internal controls.

7. Recommendation

The study indicated that policy makers are not effective in overseeing the implementation of project activities. Government, through the concerned organs should hold accountable the persons in charge of overseeing national and local government programs. This will vindicate value for money in addition to efficient and effective service delivery. The study further indicated that local governments have internal control mechanisms to manage risks however, they appear to be weak at actual management of risks. Management at local government level should tighten and strengthen the internal control systems. However, there is strong need to sensitize local government staff at all levels to ensure adherence to existing controls to minimize fraud or corruption and reporting errors as much as possible. The study also noted that local government staff are not periodically evaluated. There is urgent need to evaluate local government staff and segregate their duties so as to eliminate loss of funds by staff and perhaps to hold them accountable for their action.

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