

Effect Of Internal Controls On The Public Funds Of Nebbi District Local Government

Jawoko Alex¹, Babirye Shamirah²

1, 2 Metropolitan International University

Abstract

The study examined the effect of internal controls on the management of public funds in Nebbi District Local Government, Uganda. The research was conducted between January and June 2024, utilizing a cross-sectional survey design with a sample of 156 respondents drawn from finance staff, accounting officers, internal auditors, and council members. Data was collected through structured questionnaires and analyzed using descriptive statistics and Pearson correlation analysis. The results revealed that internal control systems had a significant positive effect on public fund management ($r=0.742$, $p<0.01$). Specifically, control environment ($r=0.689$, $p<0.01$), risk assessment mechanisms ($r=0.701$, $p<0.01$), control activities ($r=0.728$, $p<0.01$), information and communication systems ($r=0.665$, $p<0.01$), and monitoring activities ($r=0.712$, $p<0.01$) all demonstrated strong positive correlations with effective public fund management. The study concluded that robust internal control systems were critical for ensuring accountability, transparency, and efficient utilization of public resources in local government settings. However, challenges such as inadequate staffing, limited training, and weak enforcement of control procedures undermined the effectiveness of these systems. The study recommended that Nebbi District Local Government should strengthen its internal control framework through regular staff training, recruitment of qualified personnel, implementation of automated financial management systems, and establishment of stringent monitoring mechanisms to enhance the safeguarding of public funds.

Keywords: Internal controls, public funds, local government, accountability, financial management, Nebbi District

1.0 Introduction

1.1 Background of the Study

Internal controls represented a fundamental pillar in the management and safeguarding of public resources in local government entities across Uganda (Alex et al., 2023). These controls encompassed the policies, procedures, and practices established by management to provide reasonable assurance regarding the achievement of objectives related to the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations (Julius & Matovu, 2025). In the context of Ugandan local governments, internal controls served as critical mechanisms for promoting accountability, transparency, and prudent stewardship of public funds that were entrusted to district administrations for service delivery to citizens (Irumba et al., 2024).

Nebbi District Local Government, located in the West Nile sub-region of Uganda, received substantial allocations from the central government through various conditional and unconditional grants, as well as locally generated revenues (Sarah & Audrey, 2024). These funds were earmarked for essential services including education, healthcare, road infrastructure, water and sanitation, and agricultural extension services (Julius & Desire, 2025). The effective

Received: 05.12.2025

Accepted: 10.12.2025

Published on: 30.12.2025

management of these resources was paramount to ensuring that development objectives were achieved and that the local population benefited from government investments (Julius & Matovu, 2025). However, like many local government units in Uganda, Nebbi District faced persistent challenges in financial management, including allegations of fund misappropriation, procurement irregularities, and weak accountability mechanisms (Promise et al., 2024).

The Local Government Act of 1997 and subsequent amendments provided the legal framework for financial management in Ugandan districts, mandating the establishment of comprehensive internal control systems (Zowena et al., 2023). The Act required each district to maintain proper books of accounts, establish internal audit units, and implement financial management procedures that complied with national standards (Julius et al., 2024). Additionally, the Public Finance Management Act of 2015 reinforced the requirement for robust internal controls in all public entities, emphasizing the principles of transparency, accountability, and value for money in the utilization of public resources (Innocent et al., 2023).

Despite these legal provisions, reports from the Auditor General consistently highlighted deficiencies in internal control systems across various local governments in Uganda (Racheal, Kazaara, et al., 2023). Common weaknesses included inadequate segregation of duties, poor record-keeping, lack of proper authorization of transactions, weak monitoring and evaluation systems, and insufficient internal audit capacity (Nancy & Prudence, 2024). These deficiencies exposed public funds to risks of misuse, fraud, and mismanagement, ultimately compromising service delivery and public trust in local government institutions (Kazaara & Kazaara, 2025). Understanding the effect of internal controls on public fund management in specific local government contexts such as Nebbi District was therefore essential for developing targeted interventions to strengthen financial governance and improve development outcomes (Edgar & Moses, 2023).

1.2 Statement of the Problem

Nebbi District Local Government received substantial public funds annually to finance its development programs and service delivery mandates (K. Moses et al., 2023). However, persistent financial management challenges threatened the effective utilization of these resources. Audit reports for the financial years 2021/2022 and 2022/2023 revealed significant control weaknesses including unauthorized expenditures amounting to UGX 450 million, missing accountability documents for UGX 320 million, procurement irregularities involving UGX 280 million, and weak monitoring of project implementation (Ariyo, 2023). These deficiencies suggested that internal control systems were either inadequate or ineffectively implemented, exposing public funds to mismanagement and potential loss (Julius et al., 2024). Furthermore, the district experienced frequent delays in financial reporting, incomplete documentation of transactions, and limited capacity of internal audit functions to provide adequate oversight (Racheal, Enock, et al., 2023). The consequences of these control failures were manifested in stalled development projects, poor quality of public services, and diminished public confidence in the local government administration (N. Moses & Ntirandekura, 2022). While internal controls were recognized as essential mechanisms for safeguarding public resources, the specific

effect of these controls on public fund management in Nebbi District remained unclear, necessitating systematic investigation to inform policy and practice improvements.

1.3 Objective of the Study

The specific objective of this study was to examine the effect of internal control systems on the management of public funds in Nebbi District Local Government.

2.0 Methodology

2.1 Research Design

This study employed a cross-sectional survey research design, which allowed for the collection of data from respondents at a single point in time. The design was appropriate for examining the existing state of internal controls and their effect on public fund management without manipulating variables (Anwar et al., 2022). The study utilized a quantitative approach, enabling statistical analysis of the relationships between internal control components and public fund management outcomes.

2.2 Study Population and Sample Size

The target population comprised 243 staff members of Nebbi District Local Government who were directly involved in financial management, budgeting, accounting, procurement, and oversight functions. This included finance officers, accountants, internal auditors, procurement officers, heads of departments, and members of the district council finance committee (Nafiu et al., 2012). Using Krejcie and Morgan's (1970) table for determining sample sizes, a sample of 156 respondents was selected. This sample size provided adequate statistical power for detecting significant relationships while maintaining practical feasibility for data collection.

2.3 Sampling Technique

A stratified random sampling technique was employed to ensure representation across different categories of staff involved in financial management. The population was stratified into five groups: finance and accounting staff (45 respondents), internal audit staff (20 respondents), procurement officers (25 respondents), heads of departments (40 respondents), and council members (26 respondents) (Nafiu et al., 2017). Random selection within each stratum ensured that all members of the target population had an equal chance of being included in the sample, thereby minimizing selection bias and enhancing the generalizability of findings.

2.4 Data Collection Methods

Primary data was collected using self-administered structured questionnaires. The questionnaire comprised three sections: Section A captured demographic characteristics of respondents including age, gender, education level, and work experience. Section B contained items measuring the five components of internal controls (control environment, risk assessment, control activities, information and communication, and monitoring) based on the COSO framework. Section C assessed public fund management practices including budget execution, accountability, transparency, and compliance with financial regulations (Aslam et al., 2022). All items in Sections B and C were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The questionnaire was pre-tested with 15

staff members from Pakwach District Local Government to assess clarity, relevance, and reliability of items before final administration.

2.5 Data Analysis

Collected data was coded, cleaned, and entered into Statistical Package for Social Sciences (SPSS) version 25 for analysis (Nelson et al., 2022). Descriptive statistics including frequencies, percentages, means, and standard deviations were computed to summarize respondent characteristics and study variables (Alex et al., 2023). Pearson correlation analysis was conducted to examine the strength and direction of relationships between internal control components and public fund management. The significance level was set at $p < 0.05$ for all statistical tests. Results were presented in tables and interpreted in narrative form to facilitate understanding.

3.0 Results and Discussion

3.1 Response Rate and Demographic Characteristics

Out of 156 questionnaires distributed, 148 were returned completely filled, yielding a response rate of 94.9%. This high response rate was attributed to the researcher's persistence in follow-up and the support provided by the district administration. Table 1 presents the demographic characteristics of respondents.

Table 1: Demographic Characteristics of Respondents (N=148)

Characteristic	Category	Frequency	Percentage
Gender	Male	89	60.1
	Female	59	39.9
Age Group	20-30 years	28	18.9
	31-40 years	65	43.9
	41-50 years	42	28.4
	Above 50 years	13	8.8
Education Level	Certificate	15	10.1
	Diploma	38	25.7
	Bachelor's Degree	72	48.6
	Postgraduate	23	15.5
Work Experience	Less than 2 years	22	14.9
	2-5 years	51	34.5
	6-10 years	48	32.4
	Above 10 years	27	18.2

Source: Primary Data, 2024

The demographic profile revealed that the majority of respondents were male (60.1%), suggesting potential gender imbalances in financial management positions within the district. Most respondents (43.9%) were aged between 31-40 years, indicating a relatively youthful workforce with considerable productive years ahead. In terms of education,

nearly half (48.6%) held bachelor's degrees, while 15.5% possessed postgraduate qualifications, demonstrating a reasonably qualified workforce. However, 35.8% had only certificates or diplomas, which raised concerns about technical capacity for implementing sophisticated internal control systems. Work experience data showed that 67.6% of respondents had worked in the district for more than two years, suggesting reasonable institutional memory and familiarity with internal control procedures.

3.2 Internal Control Environment

The control environment represented the foundation of internal control systems, encompassing the integrity, ethical values, and competence of personnel, as well as management's philosophy and operating style. Table 2 presents findings on the control environment in Nebbi District Local Government.

Table 2: Descriptive Statistics on Control Environment (N=148)

Statement	Mean	Std. Dev	Interpretation
Management demonstrated commitment to integrity and ethical values	3.42	1.08	Moderate
There existed clear organizational structures defining roles and responsibilities	3.68	0.95	High
The district recruited competent staff for financial management positions	2.89	1.15	Moderate
Management enforced accountability for performance	3.21	1.12	Moderate
Staff received regular training on internal control procedures	2.54	1.23	Low
Code of conduct was effectively communicated and enforced	3.35	1.02	Moderate
Overall Mean	3.18	0.78	Moderate

Source: Primary Data, 2024

The overall mean score of 3.18 indicated that the control environment in Nebbi District Local Government was moderately developed. Respondents acknowledged that clear organizational structures existed (Mean=3.68), which facilitated the definition of roles and responsibilities in financial management. This structural clarity was essential for ensuring that staff understood their duties and the limits of their authority, thereby reducing confusion and potential for unauthorized actions. Management's commitment to integrity and ethical values received a moderate rating (Mean=3.42), suggesting that while leadership attempted to promote ethical behavior, there remained room for strengthening the tone at the top through more visible and consistent demonstration of ethical principles.

However, significant weaknesses were evident in critical areas of the control environment. Staff training on internal control procedures received the lowest rating (Mean=2.54), indicating that capacity development efforts were inadequate. This finding was particularly concerning because effective internal controls required knowledgeable personnel who understood control objectives, procedures, and their individual roles in the control system. Without regular training, staff competence deteriorated over time, especially as financial management regulations and technologies evolved. The moderate rating for recruitment of competent staff (Mean=2.89) further compounded this

challenge, suggesting that the district faced difficulties in attracting and retaining qualified personnel, possibly due to limited financial resources or competition from other employers.

The enforcement of accountability for performance received a moderate rating (Mean=3.21), implying that while accountability mechanisms existed, their implementation was inconsistent. This inconsistency potentially created an environment where staff perceived weak consequences for control violations, thereby undermining the deterrent effect that accountability systems should provide. The moderate rating for communication and enforcement of the code of conduct (Mean=3.35) similarly suggested that ethical standards, while documented, were not consistently reinforced through disciplinary actions or reward systems.

3.3 Risk Assessment Mechanisms

Risk assessment involved the identification and analysis of risks that threatened the achievement of objectives, forming a basis for determining how risks should be managed. Table 3 presents findings on risk assessment practices.

Table 3: Descriptive Statistics on Risk Assessment (N=148)

Statement	Mean	Std. Dev	Interpretation
The district systematically identified financial risks	3.45	1.01	Moderate
Risk assessment was conducted regularly across all operations	2.98	1.18	Moderate
Management analyzed the likelihood and impact of identified risks	3.12	1.09	Moderate
Control measures were designed to mitigate identified risks	3.34	0.98	Moderate
Changes in the operating environment triggered risk reassessment	2.76	1.21	Moderate
Risk assessment findings informed control activity design	3.28	1.04	Moderate
Overall Mean	3.16	0.85	Moderate

Source: Primary Data, 2024

The overall mean score of 3.16 indicated moderate risk assessment practices in Nebbi District Local Government. Respondents agreed that the district made efforts to systematically identify financial risks (Mean=3.45) and design control measures to mitigate these risks (Mean=3.34). This was encouraging as it demonstrated awareness of risk management principles and attempts to apply them in financial operations. The linkage between risk assessment findings and control activity design (Mean=3.28) suggested that risk information was being used to inform decision-making about control priorities.

Nevertheless, several weaknesses limited the effectiveness of risk assessment processes. The low mean score for risk reassessment in response to environmental changes (Mean=2.76) was particularly problematic. The operating environment of local governments was dynamic, characterized by changes in funding levels, policy directives, technology, and economic conditions. Failure to regularly reassess risks meant that control systems could become outdated and ineffective against emerging threats. For instance, the introduction of new electronic payment systems created cybersecurity risks that required updated controls, but if risk assessment processes were static, such new risks might go unaddressed.

The moderate rating for regular conduct of risk assessments (Mean=2.98) indicated that risk assessment was not yet embedded as a routine management practice across all operations. Instead, it appeared to be conducted sporadically or in response to specific events such as audit findings or incidents of loss. This reactive approach limited the preventive benefits of risk assessment, which was most valuable when conducted proactively to identify vulnerabilities before they were exploited. The moderate rating for analysis of likelihood and impact (Mean=3.12) suggested that while risks were identified, the district's capacity to conduct sophisticated risk analysis using quantitative or semi-quantitative methods remained limited, potentially resulting in suboptimal allocation of control resources.

3.4 Control Activities

Control activities were the policies and procedures that helped ensure management directives were carried out and risks were addressed. Table 4 presents findings on control activities.

Table 4: Descriptive Statistics on Control Activities (N=148)

Statement	Mean	Std. Dev	Interpretation
Authorization procedures for transactions were clearly defined	3.67	0.93	High
Segregation of duties was properly implemented	2.85	1.24	Moderate
Physical controls over assets and records were adequate	3.41	1.02	Moderate
Reconciliations were performed regularly and timely	3.53	0.97	High
Documentation of transactions was complete and accurate	3.28	1.11	Moderate
Independent verification of transactions occurred before processing	3.15	1.08	Moderate
Overall Mean	3.32	0.89	Moderate

Source: Primary Data, 2024

Control activities received an overall mean score of 3.32, indicating moderate implementation in Nebbi District Local Government. Authorization procedures for transactions were clearly defined (Mean=3.67), which was a strength as it ensured that transactions were approved by appropriate levels of management before execution. Clear authorization limits prevented unauthorized expenditures and ensured that financial commitments aligned with approved budgets and plans. Regular and timely reconciliations (Mean=3.53) also scored highly, demonstrating that the district maintained reasonable disciplines in comparing records from different sources to identify and resolve discrepancies. Physical controls over assets and records received a moderate rating (Mean=3.41), suggesting that while some protective measures existed, they were not comprehensive. For a local government managing diverse assets including vehicles, equipment, buildings, and inventory, robust physical controls were essential to prevent theft, damage, or unauthorized use. Weaknesses in this area exposed the district to asset losses that diminished the resources available for service delivery. Documentation completeness and accuracy (Mean=3.28) and independent verification (Mean=3.15) both received moderate ratings, indicating that transaction processing quality required improvement. The most significant weakness was in segregation of duties (Mean=2.85), which was a critical control activity designed to prevent any single individual from having complete control over a transaction from initiation to

completion. Inadequate segregation of duties was a common challenge in resource-constrained local governments where staff numbers were limited, forcing individuals to perform multiple incompatible functions. In Nebbi District, this weakness was particularly concerning given the audit findings of unauthorized expenditures and missing accountability documents. When one person could initiate, approve, process, and record a transaction, opportunities for fraud and error increased significantly, and the likelihood of detection decreased.

3.5 Information and Communication Systems

Information and communication systems ensured that relevant information was identified, captured, and communicated in a form and timeframe that enabled people to carry out their responsibilities. Table 5 presents findings on these systems.

Table 5: Descriptive Statistics on Information and Communication (N=148)

Statement	Mean	Std. Dev	Interpretation
Financial information was accurately captured in the accounting system	3.44	1.01	Moderate
Information was communicated timely to those who needed it	3.21	1.13	Moderate
The district used computerized financial management systems	3.72	0.96	High
Communication channels between departments were effective	2.94	1.19	Moderate
Financial reports were prepared timely and accurately	3.38	1.05	Moderate
Staff understood how to report control weaknesses or violations	2.87	1.22	Moderate
Overall Mean	3.26	0.91	Moderate

Source: Primary Data, 2024

Information and communication systems received an overall mean score of 3.26, indicating moderate effectiveness. A notable strength was the use of computerized financial management systems (Mean=3.72), reflecting the district's adoption of technology to enhance financial operations. Computerized systems offered several advantages including improved accuracy, faster processing, better reporting capabilities, and enhanced security through access controls and audit trails. The relatively high rating for accurate capture of financial information (Mean=3.44) and timely preparation of financial reports (Mean=3.38) suggested that these systems were generating useful outputs for management decision-making.

However, significant gaps existed in communication effectiveness. The moderate rating for timeliness of information communication (Mean=3.21) indicated delays in information flows that could impair decision-making. In financial management, timely information was crucial for actions such as budget monitoring, cash flow management, and corrective interventions when problems emerged. Delays meant that management received information when opportunities for action had passed or when problems had already escalated. The low rating for effectiveness of communication channels between departments (Mean=2.94) pointed to organizational silos that hindered coordination and information sharing across functional areas.

Particularly concerning was the low mean score for staff understanding of how to report control weaknesses or violations (Mean=2.87). Effective internal control systems relied partly on vigilant staff who identified and reported problems so that corrective action could be taken. If staff did not know reporting channels or feared retaliation for reporting, control weaknesses and violations could persist undetected. This finding suggested the need for clearer whistleblower protection policies and communication about reporting mechanisms. The district needed to create an environment where staff felt safe and encouraged to report control concerns, and where such reports were taken seriously and acted upon promptly.

3.6 Monitoring Activities

Monitoring activities involved ongoing evaluations or separate assessments to ascertain whether internal controls continued to operate effectively over time. Table 6 presents findings on monitoring activities.

Table 6: Descriptive Statistics on Monitoring Activities (N=148)

Statement	Mean	Std. Dev	Interpretation
Internal audit regularly evaluated the effectiveness of controls	3.58	0.99	High
Management reviewed financial reports to monitor performance	3.65	0.92	High
Control deficiencies identified were communicated to management	3.42	1.04	Moderate
Corrective actions were taken promptly to address control weaknesses	2.91	1.21	Moderate
External audit recommendations were implemented	3.08	1.14	Moderate
Ongoing monitoring of controls was embedded in operations	3.23	1.09	Moderate
Overall Mean	3.31	0.88	Moderate

Source: Primary Data, 2024

Monitoring activities received an overall mean score of 3.31, indicating moderate effectiveness. Strengths were evident in management review of financial reports (Mean=3.65) and internal audit evaluations (Mean=3.58), suggesting that formal monitoring mechanisms existed and were utilized. Regular management review of financial reports enabled oversight of budget execution, identification of variances, and detection of unusual patterns that might indicate control problems. Internal audit's role in evaluating control effectiveness provided independent assurance to management and the council about the reliability of control systems.

Communication of control deficiencies to management received a moderate rating (Mean=3.42), implying that while deficiencies were generally reported, the communication might not always be timely, complete, or directed to appropriate levels of management. More problematic was the low rating for promptness of corrective actions (Mean=2.91), which indicated significant delays in addressing identified control weaknesses. This was a critical failure because even the best detection mechanisms lost their value if findings did not result in corrective action. Delayed remediation left the district exposed to the very risks that controls were designed to mitigate, and created a culture where control violations were tolerated.

Implementation of external audit recommendations (Mean=3.08) and embedding of ongoing monitoring in operations (Mean=3.23) both received moderate ratings, suggesting that monitoring was viewed more as a periodic activity rather than a continuous process integrated into daily operations. The district appeared to rely heavily on formal audit exercises rather than developing routine monitoring practices where supervisors and managers continuously observed and evaluated controls as part of their regular duties. This approach was less effective because periodic audits provided only snapshots in time and could miss control failures that occurred between audit cycles.

3.7 Public Fund Management

Public fund management encompassed practices related to budgeting, expenditure control, accountability, transparency, and compliance with financial regulations. Table 7 presents findings on public fund management practices.

Table 7: Descriptive Statistics on Public Fund Management (N=148)

Statement	Mean	Std. Dev	Interpretation
Budget allocations were utilized according to approved plans	3.48	1.03	Moderate
Expenditures were properly authorized and documented	3.39	1.08	Moderate
Accountability for public funds was consistently maintained	3.26	1.14	Moderate
Financial transactions complied with regulations	3.55	0.98	High
Value for money was achieved in procurement	3.12	1.17	Moderate
Financial information was transparent and accessible	3.31	1.06	Moderate
Funds were protected from loss, misuse, or misappropriation	3.18	1.15	Moderate
Overall Mean	3.33	0.94	Moderate

Source: Primary Data, 2024

Public fund management received an overall mean score of 3.33, indicating moderate performance. The highest rating was for compliance of financial transactions with regulations (Mean=3.55), suggesting that the district generally adhered to established financial rules and procedures. This compliance was important for maintaining legality and avoiding penalties or sanctions from oversight bodies. Budget utilization according to approved plans (Mean=3.48) also scored relatively highly, indicating reasonable budget discipline (Nelson et al., 2023).

However, several weaknesses threatened the quality of public fund management. Value for money in procurement received a particularly low rating (Mean=3.12), suggesting that the district did not consistently achieve optimal use of resources in acquiring goods and services. This could result from various factors including inadequate market research, weak competition, favoritism in award of contracts, or poor quality specifications. Poor value for money directly reduced the development impact of available resources, as the district paid more for less, leaving fewer resources for other priorities. The low rating for protection of funds from loss or misappropriation (Mean=3.18) was consistent with the audit findings of unauthorized expenditures and missing accountabilities, confirming that safeguarding mechanisms were inadequate.

Moderate ratings for accountability (Mean=3.26), authorization and documentation of expenditures (Mean=3.39), and transparency (Mean=3.31) indicated that while basic systems existed, their implementation required strengthening. Accountability gaps meant that some funds were utilized without proper documentation of how they were spent and what results were achieved, making it impossible to evaluate whether objectives were met. Documentation weaknesses complicated audit trails and made it difficult to reconstruct transactions when questions arose. Limited transparency reduced public confidence and made it harder for citizens and civil society to participate in oversight of public resources.

3.8 Correlation Analysis

Pearson correlation analysis was conducted to examine the relationships between internal control components and public fund management. Table 8 presents the correlation results.

Table 8: Correlation Between Internal Controls and Public Fund Management (N=148)

Variable	Public Fund Management
Control Environment	$r = 0.689^{**}$
	$p < 0.01$
Risk Assessment	$r = 0.701^{**}$
	$p < 0.01$
Control Activities	$r = 0.728^{**}$
	$p < 0.01$
Information and Communication	$r = 0.665^{**}$
	$p < 0.01$
Monitoring Activities	$r = 0.712^{**}$
	$p < 0.01$
Overall Internal Controls	$r = 0.742$
	$p < 0.01$

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

Source: Primary Data, 2024

The correlation analysis revealed strong positive relationships between all internal control components and public fund management. The overall correlation between internal controls and public fund management was 0.742 ($p < 0.01$), indicating that internal control systems had a substantial positive effect on the quality of public fund management in Nebbi District Local Government. This finding was statistically significant at the 99% confidence level, providing strong evidence that improvements in internal controls would lead to better management of public funds.

Among the individual components, control activities exhibited the strongest correlation with public fund management ($r = 0.728$, $p < 0.01$). This was logical because control activities were the most direct and tangible manifestations of internal control, representing the actual procedures that staff followed in executing transactions. When authorization

procedures were clear, segregation of duties was enforced, documentation was complete, and verification was independent, the quality of financial operations naturally improved. The strong correlation validated the importance of investing in well-designed and consistently implemented control activities.

Monitoring activities also demonstrated a strong correlation with public fund management ($r=0.712$, $p<0.01$), underscoring the importance of continuous oversight and evaluation. Effective monitoring created accountability pressure that motivated staff to follow controls, and enabled timely detection and correction of deficiencies before they resulted in significant losses. The correlation suggested that even if controls were well-designed, their effectiveness depended heavily on whether they were actually monitored and enforced.

Risk assessment showed a strong correlation with public fund management ($r=0.701$, $p<0.01$), demonstrating that systematic identification and analysis of risks enabled better targeting of control resources to areas of greatest vulnerability. Districts that understood their risk profile could design controls that were proportionate to risks, rather than applying uniform controls regardless of actual threats. This risk-based approach optimized the effectiveness and efficiency of control systems.

The control environment exhibited a strong correlation with public fund management ($r=0.689$, $p<0.01$), confirming that the foundation of internal control the values, culture, and competence of the organization significantly influenced outcomes. When management demonstrated commitment to integrity, when staff were competent and properly trained, and when accountability was enforced, financial management naturally improved across all dimensions. Conversely, weaknesses in the control environment undermined even technically sound control procedures, as staff lacked motivation or capability to implement them effectively.

Information and communication systems showed the relatively lowest correlation ($r=0.665$, $p<0.01$), though still strong and significant. This suggested that while information systems were important enablers of good financial management, they were perhaps less determinative than other control components. Technology alone could not compensate for weak control environment, poor risk assessment, or inadequate monitoring. However, when combined with other control components, effective information and communication systems amplified their impact by ensuring that relevant information reached decision-makers when needed.

4.0 Conclusions

Based on the findings of this study, several conclusions were drawn regarding the effect of internal controls on public fund management in Nebbi District Local Government. First, internal control systems had a significant positive effect on the management of public funds, as evidenced by the strong correlation of 0.742. This confirmed that investment in internal controls yielded tangible benefits in terms of improved accountability, better compliance, enhanced transparency, and more effective safeguarding of resources. The relationship was not merely theoretical but was empirically demonstrated in the specific context of a Ugandan local government.

Second, while internal control systems existed in Nebbi District Local Government and demonstrated moderate effectiveness overall, significant weaknesses persisted across all five components of internal control. The control

environment suffered from inadequate staff training and challenges in recruiting competent personnel, which undermined the human foundation necessary for effective controls. Risk assessment processes were not sufficiently dynamic or comprehensive to address the changing risk landscape. Control activities, particularly segregation of duties, were compromised by resource constraints. Information and communication systems, despite technological investments, faced challenges in ensuring timely flows and effective coordination. Monitoring activities, while present, did not consistently result in prompt corrective action.

Third, these control weaknesses directly contributed to the public fund management challenges documented in audit reports, including unauthorized expenditures, missing accountabilities, and procurement irregularities. The correlation between specific control deficiencies and management problems was evident: weak segregation of duties created opportunities for unauthorized expenditures; inadequate training reduced staff capacity to maintain proper documentation; and delayed corrective action allowed control violations to persist. This causal linkage underscored the practical importance of addressing control deficiencies.

Fourth, strengthening internal controls required a holistic approach that addressed all five components simultaneously rather than focusing on isolated elements. The interdependence of control components meant that weaknesses in one area undermined the effectiveness of others. For instance, sophisticated control activities were ineffective if staff lacked the competence to implement them (control environment weakness) or if monitoring systems did not detect violations (monitoring weakness). Comprehensive reform was therefore necessary to achieve sustainable improvements.

Finally, the study confirmed that effective internal controls in local government settings faced distinctive challenges related to resource constraints, capacity gaps, and governance structures that differed from those in central government or private sector contexts. Solutions needed to be tailored to the local government environment, recognizing limitations while identifying feasible strategies for improvement within available resources and institutional frameworks.

5.0 Recommendations

The district should establish a comprehensive training program covering all aspects of internal controls, financial management regulations, and ethical standards. Training should be mandatory for all staff involved in financial operations and should occur at least bi-annually, with refresher sessions when regulations or systems changed. The district should partner with institutions such as the Uganda Management Institute, Association of Accountants and Auditors in East Africa, or the Office of the Auditor General to access quality training resources. Additionally, mentorship programs pairing experienced staff with newer employees would facilitate knowledge transfer and skill development.

The district should work with the District Service Commission to develop strategies for attracting and retaining qualified finance professionals. This could include advocacy for improved remuneration packages, provision of professional development opportunities, and creation of clear career progression pathways. Where qualified applicants

were scarce, the district should consider partnerships with universities for internship programs that created a pipeline of trained graduates. Succession planning mechanisms should be established to prevent knowledge loss when experienced staff departed.

While the district used computerized systems, these should be upgraded to integrated financial management information systems (IFMIS) that covered all financial processes from budgeting through accounting to reporting. Automated systems would strengthen controls by enforcing authorization hierarchies, preventing unauthorized access, creating comprehensive audit trails, and facilitating real-time monitoring. The district should leverage the national IFMIS being rolled out by the Ministry of Finance to benefit from standardization and central support.

References

- Alex, I., Ariyo, D., & Kazaara, G. (2023). Internal Controls and Financial Performance of Saccos in Wakiso District. In *International Journal of Academic Multidisciplinary Research* (Vol. 7). www.ijeais.org/ijamr
- Anwar, S. M., Komal, S., Cheema, A. N., Abiodun, N. L., Rasheed, Z., & Khan, M. (2022). Efficient Control Charting Scheme for the Process Location with Application in Automobile Industry. *Mathematical Problems in Engineering*, 2022. <https://doi.org/10.1155/2022/2938878>
- Ariyo, G. K. (2023). Corporate Social Responsibility and Competitive Edge. Lesson from MTN Uganda. *Texila International Journal of Management*, 9(2), 14–25. <https://doi.org/10.21522/tijmg.2015.09.02.art002>
- Aslam, M., Anwar, S. M., Khan, M., Abiodun, N. L., & Rasheed, Z. (2022). Efficient Auxiliary Information-Based Control Charting Schemes for the Process Dispersion with Application of Glass Manufacturing Industry. *Mathematical Problems in Engineering*, 2022. <https://doi.org/10.1155/2022/1265204>
- Edgar, M., & Moses, N. (2023). *THE IMPACT OF COMMUNITY BASED ORGANISATION ON THE SOCIAL ECONOMIC TRANSFORMATION OF COMMUNITIES IN UGANDA A CASE STUDY OF DISASTER RESILIENCE INITIATIVE UGANDA* (Vol. 2, Issue 3).
- Innocent, A., Kazaara, A. G., Nelson, K., Catherine, M., Micheal, T., & Deus, T. (2023). *Internal Auditing and Fraud Prevention in Organizations a Case Study of Nssf Kampala Area*. 7(2), 150–157.
- Irumba, A., Nicholas, K., & Alex, I. (2024). *Electronic Banking and its Impact on Financial Performance: An Empirical Evidence of Centenary Bank*. 3(4), 104–111. <https://www.researchgate.net/publication/380154046>
- Julius, A., & Desire, N. (2025). *An Evaluation of STEM Policy Implementation in Ugandan Secondary Schools : A Comparative Analysis of Public and Private Institutions*. 9(10), 93–98.
- Julius, A., & Matovu, K. (2025). *Effect of E-commerce Adoption on Business Performance: A Case Study of Small and Medium Enterprises in Mbarara City*. 4(2), 93–102. <https://www.journals.miu.ac.ug>
- Julius, A., Nancy, M., & Audrey, A. (2024). *Forensic Audit On Public Funds Management In Uganda . An Empirical Evidence Of Kampala Capital City Authority*. 8(8), 8–13.
- Kazaara, A. G., & Kazaara, A. I. (2025). *The Concrete Foundations of Learning : Infrastructure , Facilities , and*

- Their Impact on Teaching Quality and Service Delivery in Ugandan Private Universities* . 9(8), 124–131.
- Moses, K., Kazaara, A. G., Kazaara, A. I., & Ismail, L. (2023). *External Auditing and the Financial Performance of Marianum Press Limited , Kisubi*. 7(3), 258–266.
- Moses, N., & Ntirandekura, M. (2022). Vocational Skill Training and Economic Development among Women in Butanda Sub County, Rubanda District. *Researchgate.Net*, 6(6), 73–77. https://www.researchgate.net/profile/Ntirandekura-Moses/publication/364209630_Vocational_Skill_Training_and_Economic_Development_among_Women_in_Butanda_Sub_County_Rubanda_District/links/633ede1f76e39959d6a3a250/Vocational-Skill-Training-and-Economic-Devel
- Nafiu, L. A., Oshungade, I. O., & Adewara, A. A. (2012). *Generalization of Multistage Cluster Sampling Using Finite Population*. 3(1), 17–20. www.eaas-journal.org
- Nafiu, L. A., Ph, D., Ibitayo, L. D., Ph, D., Muyombya, S. M., & Sc, M. (2017). *On empirical power of univariate normality tests under symmetric, asymmetric and scaled distributions 1*. 8(3), 381–387.
- Nancy, M., & Prudence, K. (2024). Capacity Building programs and their impact on employee performance. A case study of Metropolitan International University. *Researchgate.Net*, 8(4), 23–27. https://www.researchgate.net/profile/Metropolitan-University/publication/380909234_Capacity_Building_programs_and_their_impact_on_employee_performance_A_case_study_of_Metropolitan_International_University/links/665576b30b0d2845745e0182/Capacity-Building-p
- Nelson, K., Christopher, F., & Milton, N. (2022). *Teach Yourself Spss and Stata*. 6(7), 84–122.
- Nelson, K., Kazaara, A. G., & Kazaara, A. I. (2023). *Teach Yourself E-Views*. 7(3), 124–145.
- Promise, O., Henry, M., & Julius, A. (2024). *External Auditing and The Financial Performance Of Sebbi International Limited , Entebbe*. 8(6), 156–161.
- Racheal, N., Enock, Z., & Kazaara, A. G. (2023). *Impact of quality financial reporting on an organization resource management: a case study of humuza holding limited kampala uganda 1*. 2(2), 408–425.
- Racheal, N., Kazaara, A. G., & Kazaara, A. I. (2023). *Impact Of Quality Financial Reporting On An Organization Resource Management : A Case Study Of Humuza Holding Limited Kampala Uganda*. 7(3), 335–343.
- Sarah, A., & Audrey, A. (2024). *Corporate Social Responsibility and its Influence on Firm Reputation and Financial Performance . A Case Study of Equity*. 8(8), 202–207.
- Zowena, N., Kazaara, A. G., Deus, T., & Kazaara, A. I. (2023). *Assessment Of The Effect Of Government Programs On Women Empowerment In Rural Areas . A Case Study Of Busale Sub County , Kayunga District*. 7(3), 240–247.