



INTERNAL CONTROLS, HUMAN RESOURCE COMPETENCE AND PERCEIVED QUALITY OF FINANCIAL REPORTING IN MUNICIPAL COUNCILS IN WESTERN UGANDA

ABSTRACT

The purpose of the study was to examine the relationship between internal control, human resource competence and perceived quality of financial reporting in municipal councils in western Uganda. The study was guided by three objectives namely; (1) To establish the relationship between internal controls and perceived quality of financial reporting; (2) To establish the relationship between human resource competence and perceived quality of financial reporting; and (3) To establish the effect of internal controls and human resource competence on perceived quality of financial reporting. Cross sectional research design along with quantitative research approach were adopted. The study used sample size of 10 municipal councils selected using random sampling technique from a population of 12 municipal councils. Primary data used in the study was obtained using a structured questionnaire instrument which was tested for validity using Content Validity Index (CVI) and reliability using Cronbach Alpha Coefficient and later distributed to targeted officers working at municipal councils. Data was analyzed using SPSS (v. 20) to obtain frequency table, Correlation and Regression Analyses used to interpret results.

The study found a positive relationship between internal control and perceived quality of financial reporting. Constructs for internal controls of control environment, risk assessment, information and communication & control activities were positively associated. The study found a positive relationship between human resource competence and perceived quality of financial reporting as well as a positive relationship with each of the constructs of knowledge, experience

and skills. The regression model revealed that jointly internal control and human resource competence are significant predictors of perceived quality of financial reporting. The study also observed that internal control has higher predictive power towards perceived quality of financial reporting.

The study concluded that municipal councils have the opportunity to improve quality of financial reporting through effective internal controls and human resource competences. When they devote much efforts to internal controls, quality of financial reporting would improve significantly. Based on the findings, the study recommended that; All accounting information should be recorded and documented on time to enhance completeness and timely presentation of financial reports; Accounting information systems should be reviewed and upgraded frequently; Employees should continuously be rotated across work units; and internal audit recommendations should be adopted and implemented to enhance quality of financial reporting.