



**INTERNAL AUDIT AND FINANCIAL ACCOUNTABILITY IN LOCAL
GOVERNMENTS, A CASE STUDY OF IGANGA DISTRICT LOCAL GOVERNMENT**

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DECLARATION

I, the undersigned do declare that the work in this research report is my original work and to the best of my knowledge it has never been submitted for award of a Bachelor's Degree in any other University for examination purposes.


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APPROVAL

This is to certify that this research report has been written by DUUKO ALLAN under my supervision and it is now ready for submission to the Department of Economics and Management, Faculty of Management Sciences as a partial fulfillment of the requirement for the award of Bachelor's Degree in Business Administration of Busitema University.

Signature 

Date 12/8/2025

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DEDICATION

I wish to dedicate this piece of work to my beloved father Rev. Canon. Alfred Joshua Bolya and my mother Mrs. Leah Bolya who have given me all the support financially morally and spiritually during this demanding time of the study and also the sacrifice and patience they exhibited towards me during my time of study.

I also dedicate this work to my supervisor Mr. Emusugut Desterio thank you so much for the great support that you rendered to me. I wouldn't have managed to make it without your help. May the Almighty GOD reward you abundantly.

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LIST OF ACRONYMS

AICPA	American Institute of Certified Public Accountant
CVI	Content Validity Index
GAO	Government Accountability Office
IDLG	Iganga District Local Government
IGG	Inspector General of Government
LGs	Local Governments
OAG	Office of the Auditor General
PEFA	Public Expenditure and Financial Accountability
SPSS	Statistical Package for Social sciences

DEFINITION OF KEY TERMS

Internal audit: Hoffman, (2020) defined internal audit as part of the internal control system put in place by management of an Organization to ensure adherence to stipulated work procedure and as aid to management. Internal auditing measures, analyses and evaluates the efficiency and effectiveness of other controls established by management to ensure smooth administration, control cost minimization, and ensure capacity utilization and maximum benefit derivation.

Financial Accountability: according to Owens, (2018), financial accountability is a systematic holding of an individual accountable for effectively performing a financial activity, such as a key control procedure within a financial transaction period so as to establish an effective financial process.

Auditor Independence is a fundamental principle of auditing that ensures the auditor's ability to act with integrity, objectivity, and professional skepticism.

Auditor Competence: This refers to the adequate education and experience owned by public accountants in the field of auditing and accounting.

Ethical compliance: this refers to the adherence of internal auditors to established ethical principles, professional standards, and organizational policies while performing their audit duties.

ABSTRACT

This research examined the effect of internal audit on financial accountability of local governments in Uganda, a case of Iganga District Local Government. Specifically, it examined the effect of audit independence on the financial accountability, the impact of audit competence on the financial accountability and established the impact of ethical compliance on the financial accountability. Applying a cross-sectional research design and a quantitative approach. Utilizing data collected from 40 employees through questionnaires, the study employed SPSS for data analysis. The findings reveal that internal audit significantly improves financial accountability. The study findings also depict that audit independence, audit competence and ethical compliance positively affects financial accountability. The researcher therefore concludes that in order to increase the financial accountability, local governments should strengthen objectivity in financial reporting and ensure fair and transparent disclosure of organizational activities, elevate auditors' knowledge, technical proficiency, and practical experience through continuous training and capacity building and adhere to comprehensive professional policies and standards, particularly attention should be paid to legal compliance, upholding integrity, and protecting the privacy of auditing professionals.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains of the background of the study, statement of the problem, purpose of the study, research questions, research objectives, scope of the study, content scope, geographical scope, time scope, significance of the study, and conceptual frame work.

1.1 Background of the Study

Financial accountability promotes good governance by ensuring public funds are used efficiently and ethically. Transparency and oversight help prevent corruption and build trust between the government and citizens. This accountability empowers citizens to hold leaders responsible and improves public service delivery (IMF, 2022). This involves implementing robust financial management system, conducting regular audits and making financial information accessible to the public. Governments can strengthen Anti- corruption initiatives, Digitalizing of Government service, and allocate resource more effectively, ultimately leading to better economic outcomes and improves service delivery (World Bank, 2022). Financial accountability is defined as the provision of information and disclosure on the financial activities and performance to the concerned parties (Schiavo & Tomasi,1999). Financial accountability in this study is measured using transparency, effectiveness and efficiency because these measures have been widely accepted and used by several scholars to measure financial accountability (Power, 1997). Despite the extensive research conducted in this field, findings consistently remain a significant challenge in many institutions. This underscores the need for ongoing research and continuous improvement to strengthen financial management systems, promote transparency, and ensure the effective use of public resources (Adebayo & Ilesanmi, 2020).

Globally, according to a 2023 report by the government accountability office (GAO), in the united states of America, the US local government recorded financial accountability challenges as the report reveals expenditure irregularities on special finance assistance of US\$ 7.6 billion representing 65% deficit with extra unrecognized cost of US\$ 26.5 billion representing a 54% financial loss causing unstable long term fiscal financial disparities which negatively impacted on transparency and efficiency of fund management (GAO, 2023). Relatedly in China, the Chinese local government net financial worth has remained 10% points of public expenditure and financial

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