



INTERNAL AUDIT QUALITY AND FINANCIAL ACCOUNTABILITY IN LOCAL GOVERNMENTS, A CASE STUDY OF PALLISA DISTRICT LOCAL GOVERNMENT.

BY

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A RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT SCIENCES, DEPARTMENT OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT FOR THE REQUIREMENT OF AWARD OF A BACHELORS DEGREE IN BUSINESS ADMINISTRATION OF BUSITEMA UNIVERSITY.

AUGUST, 2024

DECLARATION

I Akumu Teddy hereby pronounce that the content of this research work is my original work and that no other study has been conducted on the topic. To the best of my knowledge, this work has never been submitted before; in any other university or higher institution of learning for any degree or related qualification. In all cases where other people's ideas were quoted, they have been duly acknowledged by complete references.

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APPROVAL

This is to endorse that this Research Report by **Akumu Teddy** on “**internal audit quality and financial accountability of local governments in Uganda: A case of Pallisa District Local Government**” has been under my supervision and is now submitted for examination with my approval as the University supervisor.

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Date: 23rd AUGUST. 2024

DEDICATION

I dedicate this research work to my parents Mr. ODOI JOHN MARTIN and Mrs. NYACHWO COSTATINA ODOI, my dear sisters Awori Topisita, Akumu Christine and my beloved brother Bogere Moses and my dearest friend Tukei Innocent who provided me with both financial and non-financial assistance that enabled me accomplish this course and above all the almighty GOD.

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LIST OF ABBREVIATIONS

AICPA	:	American Institute of Certified Public Accountants
CFA	:	Chartered Financial Analyst
F/Y	:	Financial Year
GDP	:	Gross Domestic Product
IMF	:	International Monetary Fund
LG	:	Local Government
PDLG	:	Pallisa District Local Government
.		

ABSTRACT

The study examined the relationship between internal audit quality and financial accountability in local governments in Uganda; a case study of Pallisa District Local Government. The objectives of the study were to examine the effect of audit committee on financial accountability, to examine the effect of audit competence on financial accountability and to establish the effect of audit independence on financial accountability in local government. The study adopted a cross sectional research design and quantitative approach. Data was collected from 80 as a study population with accessible unit of inquiry being 66 respondents consisting of finance officers, accountants, parish chiefs, commercial officers and community development officers. Data was collected using a closed ended questionnaire, descriptive and inferential statistics as multiple regression model that showed that there was a positive and significant influence of internal audit independence on financial accountability of public technical vocational institutes. The study concluded that there was a positive relationship between audit committee effectiveness and financial accountability in Pallisa district local governments, it was also concluded that there was positively significant relationship between internal audit competences on financial accountability. The researcher recommended to the management of Pallisa District local government to have a strong and competent audit committee, to put in place different risk management strategies and function in the organization, to diversify internal audit function competency and staffing on transparency and fairness in reporting, to use professional independence and also to ensure that there should not be interference with the functions of internal auditors in the local government. The intervention would enhance a conducive internal audit quality and improve on financial accountability

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the introduction, background of the study, problem statement, purpose of the study, objectives, research questions, scope of the study, conceptual framework, significance of the study, and definitions of key terms.

1.1 Background of the Study

Local governments in Uganda are instituted as conferred by the local government (LG) Act 1997 to provide enabling environments to ensure that the decentralized systems of governance perform excellently by being accountable to their functions, powers and responsibilities so as to ensure efficient resource utilization, transparency, fund management and delivery of services to its citizens (MoLG, 2022). Financial accountability on use of public funds has always been at the centre of attention of the state, policy makers, economists, scholars as well as ordinary people (Marco & Lazare, 2016). It refers to an obligation of an individual or organization to be responsible for its actions towards the use of public finances and other assigned assets and expose the outcomes with clarity (David & Mwesigwa, 2021). Local governments in Uganda are striving to ensure better financial accountability through strengthening on compliance, monitoring performance, fairness and professional competence by providing means in which public funds should be utilized in a respectable and productive manner to achieve transparency and service delivery (Lillian & Kiran, 2017).

However, despite all actions taken towards enhancing financial accountability, numerous studies indicate declining financial accountability (Lijun, 2023). Globally, in the United States of America (USA), according to the report by (GAO, 2023), 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 (54% loss) causing unstable long term fiscal financial disparities which negatively impacted on transparency and efficiency of fund management. Relatedly in China, the Chinese local government net financial worth has remained 10% points of GDP below normal levels in the average country statistics from the 20% financial led stimulus in last 4 years despite rising financial assets as this gradual decline of the net financial worth was attributed to the

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