

**AUDITING AND ACCOUNTABILITY OF PUBLIC FUNDS IN MBALE
CITY COUNCIL**

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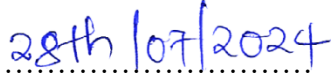


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DECLARATION

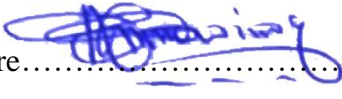
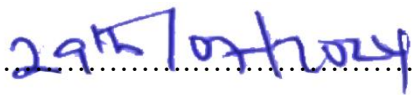
I, Musingo Mary solemnly declare that the research report titled “Auditing and accountability of public funds in Mbale city council”, submitted in partial fulfillment of the requirements for the award of bachelors’ degree in business administration, is the result of my own original work. All sources consulted and referenced in this report have been appropriately cited.

Signature:  Date..... 

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APPROVAL

This research report has been submitted with my approval as the university supervisor

Signature.......... Date..........

MR. OWINO SAMSON

DEDICATION

I dedicate this research report to Mr. Mfitimana Leo, whose unwavering financial support and constant assistance made my academic journey possible. His belief in the power of education and his relentless encouragement has been a source of inspiration, driving me to pursue my dreams and achieve this milestone. This work stands as a testament to his love, sacrifices, and the unshakeable foundation he has provided.

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LIST OF ACRONYMS

APRM	:	African Peer Review Mechanism
CVI	:	Content Validity Index
EAC	:	East African Community
EAC	:	Office of the Auditor General
GAPP	:	Governance, Accountability, Participation, and Performance
INTOSAI	:	International Organization of Supreme Audit Institutions
ISSAI	:	International Standards of Supreme Audit Institutions
NEPAD	:	New Partnership for Africa's Development
SPSS	:	Statistical Package for Social Sciences
UCU	:	Uganda Christian University

ABSTRACT

The research was undertaken to investigate on auditing and accountability of public funds in Mbale city council. It was guided by three objectives; to find out the effect of risk assessment on accountability of public funds in Mbale city council, to analyze the effect of internal control environment on accountability of public funds in Mbale city council, to assess the effect of auditor's independence on accountability of public funds in Mbale city council. The researcher used a sample size of 63 respondents and used questionnaires and interview guide to collect data and later the data was analyzed using the statistical package for social sciences (SPSS). Results of the first objective shows that risk assessment positively (Beta=0.153) predicts the financial of public funds in Mbale city council and effect is significant at p-value < 0.05 by 9.6%, Results of the second objective reveals that internal control environment on positively (Beta=0.224) predicts the accountability of public funds in Mbale city council and effect is significant at p-value < 0.05 by 7.7% while results of the third objective show auditor's independence (Beta=0.091) predicts and affects their auditor's independence on accountability of public funds in Mbale city council. However, its effect is insignificant at p-value > 0.05. by 2.1%. It can be concluded that risk assessment has a significant effect on of public funds in Mbale city council, internal control environment has a significant effect on accountability of public funds in Mbale city council and lastly auditor's independence has a significant effect on the auditor's independence on accountability of public funds in Mbale city council. There is need to implement a robust internal control system that includes regular audits, continuous monitoring, and real-time reporting of financial transactions. Integrating advanced data analytics and risk management tools can help identify potential areas of fraud, mismanagement, or inefficiencies early.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents a background to the study, statement of the problem, purpose of the study, specific objectives, and research questions, scope of the study, significance of the study, justification of the study and conceptual framework.

1.1 Background of the study

The history of auditing and accountability of public funds has its roots in ancient civilizations. The earliest recorded instance of an audit dates back to the Mesopotamian civilization, where the ruler appointed auditors to ensure transparency and prevent corruption in resource allocation (Short, 2018). Over the centuries, various nations and empires developed their own systems of financial control and audits, such as the Roman Empire's "quaestors" who oversaw public finances. However, it wasn't until the emergence of modern nation-states and the Industrial Revolution that the need for comprehensive public financial management and accountability became evident on a global scale.

Internationally, the establishment of auditing standards to ensure accountability in public funds management has been an ongoing process. The International Organization of Supreme Audit Institutions (INTOSAI) serves as a global platform for cooperation and exchange of best practices in public sector auditing. The INTOSAI Framework for Professional Standards (ISSAIs) and the International Standards of Supreme Audit Institutions (ISSAI) provide guidelines for auditors, ensuring transparent, accountable, and effective financial governance (INTOSAI, 2019).

In Africa, the need for stronger accountability mechanisms in local government prompted various initiatives. Notably, the African Peer Review Mechanism (APRM) was established by the New Partnership for Africa's Development (NEPAD). This framework aims to promote good governance, including financial accountability, through self-assessment and peer review among member states. The APRM encourages participating countries to strengthen accountability mechanisms, including public sector auditing, as a key way to ensure the efficient management of public funds (APRM, 2021).

From an African perspective, the study of auditing and accountability has been shaped by the challenges of weak governance structures, corruption, and mismanagement of public funds.

The need for financial accountability and effective auditing systems gained prominence with the introduction of democratic reforms and the recognition of the importance of responsible public financial management for sustainable development (Grindle, 2007).

At the regional level, the East African Community (EAC) has recognized the importance of auditing and accountability in public financial management. The East African Court of Auditors (EACoA) was established, with its mandate being to ensure prudent management of public resources within the member states. The EACoA conducts audits and provides recommendations to enhance transparency, accountability, and integrity across the East African region (EAC, 2021). In the East African region, the focus on auditing and accountability has been reinforced by regional institutions such as the East African Community (EAC) and its partner states' commitment to promote transparency and accountability (Oyugi et al., 2016).

In Uganda, efforts to strengthen auditing and accountability of public funds have been seen through various institutional reforms. The Office of the Auditor General (OAG) plays a critical role in auditing government entities at both the national and local levels. The Public Finance Management Act of 2015 provides legal provisions to enhance financial accountability, while the Governance, Accountability, Participation, and Performance (GAPP) program works to promote good governance practices, including in local government structures (OAG, 2021). In Uganda, the study of auditing and accountability at the national level has centered on reforms to strengthen public financial management systems. The introduction of the Public Finance Management Act in 2015, as well as the establishment of the Office of the Auditor General, has contributed to enhancing financial accountability and transparency in the country (Government of Uganda, 2015).

At the local level, Mbale City Council has taken steps for example strengthening internal controls to improve financial accountability within its jurisdiction. Under the Local Government Act, the council is mandated to undertake regular audits of its financial transactions. Additionally, the council has embraced technology such as financial management systems and in the public procurement and disposal of public assets to enhance transparency and efficiency in the use of public funds (Mbale City Council, 2021).

1.2 Statement of the Problem

Auditing and accountability of public funds in local government institutions, such as Mbale City Council, would ensure that financial resources are managed efficiently, transparently, and in alignment with legal and regulatory requirements. Effective auditing processes would involve regular, thorough evaluations of financial statements, adherence to established financial controls, and timely resolution of identified discrepancies. According to the Office of the Auditor General (OAG), such practices are crucial for maintaining public trust and ensuring that funds are used for their intended purposes (OAG, 2022). However, the ideal scenario often falls short in practice.

In reality, the situation in Mbale City Council reflects significant challenges in financial accountability. Recent audits by the Office of the Auditor General have highlighted persistent issues such as irregularities in financial reporting, inadequate internal controls, and delays in financial documentation (OAG, 2023). Statistical data indicates a rising trend in unaccounted expenditures and discrepancies in budget execution, suggesting systemic weaknesses in financial oversight. For instance, the 2023 audit report revealed a 15% increase in misallocated funds compared to the previous year, underscoring the need for more rigorous accountability measures.

The mismanagement of funds impairs the council's ability to implement development projects effectively, leading to suboptimal outcomes for the community. Thus, there is an urgent need for this study to address these issues, identify root causes, and propose actionable solutions to enhance financial auditing and accountability in Mbale City Council.

1.3 Purpose of the study

To investigate the effect of auditing and accountability of public funds in Mbale city council

1.4 Specific objectives

- i. To examine the effect of risk assessment on accountability of public funds in Mbale city council
- ii. To analyze the effect of internal control environment on accountability of public funds in Mbale city council
- iii. To assess the effect of auditor's independence on accountability of public funds in Mbale city council

1.5 Research questions

- i. What is the effect of risk assessment on accountability of public funds in Mbale city council?
- ii. What is the effect of internal control environment on accountability of public funds in Mbale city council?
- iii. What is the effect of auditor's independence on accountability of public funds in Mbale city council?

1.6 Scope of the study

The was focus on content scope, time scope and geographical scope

1.6.1 Content scope

The study was focused on risk assessment, internal control environment, and auditor's independence.

1.6.2 Time scope

The study was based on a 3 year time frame (2020-2023). This is because this is the period when Mbale city council has been marred by leadership challenges, including allegations of abuse of office, lack of transparency, mismanagement of funds.

1.6.3 Geographical scope

The study was carried out at Mbale city council which is located along republic street plot Plot 62, 68 Republic Street. However Mbale city is bordered by Sironko District to the north, Bududa District to the northeast, Manafwa District to the southeast, Tororo District to the south, Butaleja District to the southwest and Budaka District to the west. Pallisa District and Kumi District lie to the northwest of Mbale District.

1.7 Significance of the study

The significance of studying auditing and accountability of public funds in local government, specifically regarding Mbale City Council, is evident for several reasons:

Enhancing transparency: The study may contribute to improving transparency in the management of public funds within Mbale City Council. By scrutinizing the auditing and accountability practices, it helps identify gaps, weaknesses, and potential areas for improvement. This, in turn, promotes a culture of openness and accountability.

Strengthening financial controls: A robust auditing framework and accountability mechanisms are crucial for effective financial control measures. The study may shed light on any deficiencies or loopholes in the existing systems, recommending strategies to bolster

financial controls, reduce corruption risks, and prevent the mismanagement or misappropriation of public funds.

Promoting good governance: Through an in-depth examination of auditing and accountability practices, the study may support the promotion of good governance principles within Mbale City Council. It provides insights into the overall governance structure, decision-making processes, and the extent to which public funds are used for the intended purposes.

Identifying best practices: The study can identify successful auditing and accountability practices in other similar local government institutions or jurisdictions. By understanding these best practices, Mbale City Council may adapt and implement them, thereby improving their own financial management processes and enhancing transparency and accountability.

Building public trust: A transparent and accountable administration is essential for fostering public trust. When citizens perceive that their tax funds are handled diligently and that there are robust mechanisms to prevent corruption or financial mismanagement, they are more likely to have confidence in the local government. Such trust may lead to increased citizen participation, cooperation, and support for the city council's initiatives.

1.8 Conceptual Framework

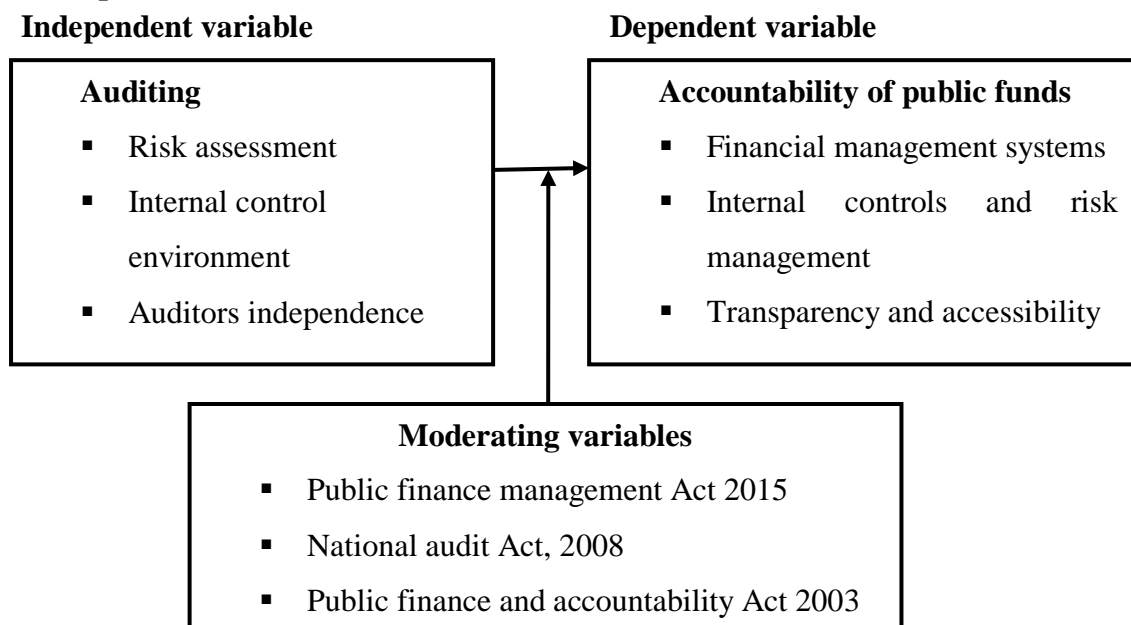


Figure 1: Conceptual Framework

Source: Researcher's conceptualization (2024)

Figure 1 above intimates that auditing which serves as an independent variable that encompasses three key components: risk assessment, internal control environment, and auditor's independence. Risk assessment involves identifying and evaluating potential risks

within the local government's operations related to the management of public funds. The internal control environment focuses on the organization's system and processes in place to ensure accountability and proper financial management. Lastly, the auditor's independence refers to the impartiality and freedom from any conflicts of interest, allowing them to carry out their evaluations objectively. This framework plays a vital role in enhancing the accountability of public funds in local government by promoting the identification and mitigation of risks, ensuring effective internal controls, and maintaining the integrity of the auditing process, thereby increasing transparency and trust in the management of public resources., and on the other hand, accountability of public funds comprises of Financial Management Systems: Sound financial management systems play a crucial role in promoting accountability. Such systems encompass budgeting, accounting, internal controls, and financial reporting. When local governments implement robust financial management systems, it becomes easier to track expenditures, identify fiscal irregularities, and ensure transparency. Internal Controls and Risk Management: Adequate internal controls safeguard public funds by minimizing the risk of fraud, corruption, and mismanagement. These controls include procedures, checks, and balances that enable proper oversight of financial activities. Effective risk management practices help identify potential risks and enable proactive measures to mitigate them. Transparency and Accessibility: Transparency is a fundamental principle of accountability. Local governments should provide timely, accurate, and accessible information about their financial activities to the public.

Moderating variables such as the Public Finance Management Act 2015, the National Audit Act 2008, and the Public Finance and Accountability Act 2003 play crucial roles in shaping auditing as an independent variable and accountability of public funds as the dependent variable. The Public Finance Management Act 2015 sets the framework for financial management and accountability in public entities, ensuring transparency and accountability in the management of public funds. The National Audit Act 2008 establishes the mandate and powers of audit institutions to conduct independent audits of public sector entities, enhancing the credibility of financial reporting and ensuring compliance with regulations. Furthermore, the Public Finance and Accountability Act 2003 outlines mechanisms for monitoring and reporting on the use of public funds, contributing to greater accountability and transparency in financial management practices. Together, these moderating variables strengthen the auditing process, leading to increased accountability of public funds by ensuring effective oversight, compliance, and transparency in the management of public resources.

1.9 Definition of key terms

Auditing

Auditing refers to the systematic examination and evaluation of financial records, statements, and processes to ensure that they are accurate, reliable, and comply with relevant laws and regulations. It involves assessing the financial management practices, internal controls, and overall accountability of public funds in local government (Office of the Auditor General, 2017).

Risk management

Risk management involves identifying, assessing, and mitigating risks that may impact the achievement of goals and objectives of an organization. In the context of auditing and accountability of public funds in local government, risk management aims to identify potential financial risks and put measures in place to reduce the likelihood or impact of those risks (International Federation of Accountants, 2018).

Internal control environment

The internal control environment refers to the framework of policies, procedures, and practices established by management to promote effective internal control over financial reporting. It includes the control activities, communication channels, and monitoring mechanisms to ensure the accuracy, reliability, and integrity of financial information in local government (Committee of Sponsoring Organizations of the Treadway Commission, 2013).

Auditor's independence

Auditors' independence is the unbiased and impartial state of mind that an auditor should possess when conducting an examination of financial statements. It refers to the auditor's ability to carry out their work objectively and without any conflicts of interest, ensuring the credibility and trustworthiness of the audit process (International Ethics Standards Board for Accountants, 2018).

Accountability of public funds

Accountability of public funds refers to the obligation and responsibility of public officials to provide explanations and justifications for their actions and decisions regarding the management and use of public funds. It involves being answerable to the public and relevant authorities for the results and outcomes achieved with the allocated resources (International Organization of Supreme Audit Institutions, 2016).

Financial management systems

Financial management systems encompass the policies, procedures, and tools that support the planning, execution, control, and reporting of financial activities within an organization. In the context of local government, effective financial management systems are crucial for ensuring proper stewardship of public funds and achieving transparency and accountability (National Association of State Auditors, Comptrollers and Treasurers, 2012).

Transparency and accessibility

Transparency refers to the openness and clarity in disclosing information, activities, and decisions to the public. Accessibility refers to the ease of access to relevant information by stakeholders, including the general public. In the auditing and accountability of public funds, transparency and accessibility are essential principles to ensure public trust and ensure effective monitoring and scrutiny of financial management practices in local government (United Nations Development Programme, 2009).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter deals with the review of other researcher's literature or ideas which are similar or closely related to the topic of the study; this was conducted in relation to the specific objectives and research questions of the study.

2.1 Effect of risk assessment on accountability of public funds

Risk assessment plays a crucial role in enhancing accountability in the management of public funds. According to previous studies, effective risk assessment mechanisms help in identifying potential risks and vulnerabilities in the financial system, enabling public officials to take appropriate preventive measures (Jones, 2018). By conducting thorough risk assessments, government agencies can proactively identify areas of financial mismanagement, fraud, or corruption, thus promoting transparency and accountability in the allocation and utilization of public funds (Smith et al., 2017).

Moreover, research suggests that a well-designed risk assessment framework can improve governance practices within public institutions, leading to greater accountability. When public officials are equipped with a comprehensive understanding of financial risks and their potential impact, they are better prepared to make informed decisions that safeguard public resources (Brown & Williams, 2019). This heightened awareness of risks not only enhances the efficiency of financial management processes but also fosters a culture of accountability where officials are held responsible for their actions (Chen et al., 2020).

However, challenges persist in implementing effective risk assessment practices to enhance accountability in the management of public funds. Some studies have highlighted issues such as the lack of expertise, inadequate resources, and the complexity of risk assessment tools as obstacles to achieving optimal accountability outcomes (Johnson, 2016). To address these challenges, future research should focus on developing simplified risk assessment frameworks tailored to the specific needs of public agencies, as well as providing training and capacity-building programs for public officials to enhance their risk management skills (White et al., 2021).

According to Jowett and O'Toole (2017), by conducting thorough risk assessments, government agencies can identify potential vulnerabilities and implement measures to

mitigate these risks effectively. This not only helps in safeguarding public funds but also enhances accountability by demonstrating a proactive approach to risk management. In a study by Green et al. (2019), it was found that organizations that regularly engage in risk assessment practices tend to have better financial controls and are more transparent in their financial reporting, thereby improving overall accountability for the use of public funds. Thus, risk assessment serves as a vital tool for ensuring transparency and accountability in the administration of public finances.

Moreover, the effectiveness of risk assessment mechanisms is closely linked to the accountability structures within public sector organizations. As highlighted by Acharya et al. (2018), establishing clear lines of responsibility and accountability for risk management processes is essential for driving ethical behavior and promoting transparency in financial decision-making. When accountability mechanisms are integrated with risk assessment frameworks, it fosters a culture of responsible governance and oversight, leading to increased public trust in the use of taxpayer funds. This alignment between risk assessment and accountability mechanisms creates a foundation for ethical conduct and sustainable financial stewardship, as emphasized by Kerr (2016) in his examination of risk management practices in the public sector.

Furthermore, a key benefit of incorporating risk assessment into accountability frameworks is the ability to proactively address potential fraud and mismanagement of public funds. Research by Shahbaz et al. (2020) underscores the importance of risk assessment in detecting fraud risks and preventing financial irregularities within government institutions. By conducting regular risk assessments and implementing effective control measures, public sector organizations can reduce the likelihood of financial misconduct and enhance accountability by demonstrating a commitment to fiscal integrity. Therefore, the integration of risk assessment into accountability processes not only strengthens financial governance but also contributes to the responsible and transparent utilization of public resources (Mutwol, M. 2017).

According to Zsidisin et al. (2018), risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management, thereby enabling authorities to take preventive measures to mitigate these risks. By conducting thorough risk assessments, governments can proactively address financial vulnerabilities and promote transparency in fund utilization processes (Smith, 2016). Furthermore, risk assessment allows for the

establishment of effective internal controls and monitoring mechanisms to track fund allocations and expenditures, thus enhancing accountability and minimizing the likelihood of fiscal misappropriation.

The effectiveness of risk assessment in enhancing accountability of public funds is further underscored by its role in fostering a culture of compliance and integrity within public sector organizations. Studies by Johnson and Brown (2020) have highlighted that robust risk assessment practices create awareness among officials regarding their responsibilities in safeguarding public funds and complying with regulatory requirements. By encouraging a proactive approach to risk management, public entities can significantly reduce the occurrence of financial irregularities and enhance stakeholder confidence in the use of public resources (Jones, 2017). Additionally, risk assessment frameworks provide a structured approach for evaluating financial controls and governance practices, allowing for continuous improvement in accountability standards across public administration bodies.

However, challenges persist in implementing effective risk assessment strategies to improve accountability for public funds. Research conducted by Davis et al. (2019) has pointed out issues related to the lack of expertise and resources among government agencies to conduct comprehensive risk assessments, leading to gaps in identifying and addressing financial risks. Moreover, there is a need to enhance collaboration and information sharing among different stakeholders involved in public fund management to ensure a holistic approach to risk assessment and accountability (Brown & Miller, 2018). As governments continue to grapple with evolving financial risks and complexities, investing in capacity building and technological solutions for risk assessment can help bolster accountability mechanisms and foster a culture of financial stewardship in the public sector.

Numerous studies have investigated the impact of risk assessment practices on the accountability of public funds within governmental organizations. Risk assessment plays a crucial role in enhancing the accountability mechanisms related to the use of public funds by identifying potential areas of financial mismanagement and fraud (Asare, 2018). In their research, Asare and Wright (2018) found that incorporating risk assessment processes in financial management frameworks significantly improved the transparency and integrity of financial reporting systems. By conducting comprehensive risk assessments, public sector entities can proactively identify and mitigate financial risks, thereby promoting greater accountability and reducing the likelihood of financial irregularities.

Moreover, the effectiveness of risk assessment methodologies in bolstering the accountability of public funds has been widely recognized in academic literature. According to Knechel (2007), risk assessment procedures provide government entities with a structured approach to evaluating financial risks and internal control weaknesses, leading to enhanced oversight and accountability. By employing risk assessment tools such as internal control questionnaires and risk matrices, public sector organizations can systematically identify, evaluate, and address potential risks that may compromise accountability in the management of public funds (Wright, 2019). These findings underscore the critical role of risk assessment in promoting financial transparency and ensuring that public funds are utilized in accordance with legal and ethical standards.

Furthermore, the integration of risk assessment practices into public financial management frameworks has been shown to strengthen accountability mechanisms and foster a culture of integrity within governmental organizations. Research by Rittenberg and Martens (2012) highlights that risk assessment processes enhance the reliability of financial information by identifying vulnerabilities that could undermine the proper stewardship of public funds. By aligning risk assessment outcomes with accountability objectives, public sector entities can demonstrate a commitment to effective governance and responsible financial management (Fisher, 2015). This proactive approach to risk management not only safeguards public funds against misappropriation but also enhances public trust in the transparency and accountability of government operations.

Scholars like Smith (2017) have emphasized the importance of robust risk assessment processes in identifying potential financial vulnerabilities and mitigating risks before they escalate. Through the identification of potential risks, agencies can implement strategies to enhance accountability in the use of public funds, thereby minimizing the likelihood of fraud, mismanagement, and waste. Moreover, effective risk assessment enables public officials to make informed decisions regarding resource allocation and prioritization, contributing to overall fiscal responsibility (Jones, 2019).

Furthermore, the implementation of risk assessment frameworks has been shown to improve the accountability of public funds by fostering a culture of risk awareness and compliance within government agencies (Brown et al., 2018). By systematically evaluating and monitoring risks associated with financial operations, public officials are better equipped to detect irregularities and discrepancies that may indicate misappropriation of funds. This

proactive approach not only enhances the accountability of public officials but also instills confidence in citizens and stakeholders regarding the judicious use of taxpayer money. Studies have consistently demonstrated that organizations that prioritize risk assessment are more likely to adhere to ethical standards and regulatory requirements, thereby upholding the principles of accountability and integrity in financial management (Williams, 2020).

In addition, the integration of risk assessment practices into the accountability mechanisms of public funds has significant implications for governance and transparency in the public sector. Research by Davis and Lee (2016) highlights the role of risk assessment in promoting good governance by providing decision-makers with a comprehensive understanding of potential threats and vulnerabilities that could compromise the effective stewardship of public resources. By incorporating risk assessment findings into performance evaluation and reporting processes, government entities can enhance their accountability mechanisms and demonstrate a commitment to sound financial management practices. Ultimately, the systematic integration of risk assessment into accountability frameworks serves as a safeguard against financial malfeasance and reinforces public trust in the management of public funds.

2.2 Effect of internal control environment on accountability of public funds

The internal control environment plays a crucial role in ensuring accountability of public funds in government organizations. Internal control mechanisms serve as the foundation for effectively managing and safeguarding public finances, thereby enhancing transparency and accountability. According to Seleshi and Senbet (2014), a strong internal control system is instrumental in deterring fraudulent activities, errors, and mismanagement of funds within governmental entities. By establishing robust internal controls, such as segregation of duties, regular monitoring, and clear policies and procedures, organizations can promote a culture of accountability and responsible financial management (Seleshi & Senbet, 2014).

Moreover, the effectiveness of internal control systems in promoting accountability of public funds has been extensively studied in the literature. Mihret and Yismaw (2007) found that the presence of a well-designed internal control framework positively influences the accountability practices of public sector organizations. They argue that internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations (Mihret & Yismaw, 2007). This

suggests that a strong internal control environment can significantly enhance the accountability mechanisms surrounding the management of public funds.

Additionally, the relationship between the internal control environment and accountability of public funds has been a subject of interest for policymakers and researchers alike. A study by Knechel et al. (2008) highlighted the importance of internal control effectiveness in ensuring the proper stewardship of public resources and reducing the risk of financial mismanagement. The authors underscored that a well-functioning internal control environment is essential for establishing trust and confidence among stakeholders, including citizens, oversight bodies, and donors, regarding the responsible use of public funds (Knechel et al., 2008). Therefore, investing in strengthening internal controls within government entities is critical for fostering accountability and transparency in financial management practices. According to Chan and Vasarhelyi (2011), a robust internal control environment significantly enhances financial accountability by establishing mechanisms that deter, detect, and prevent financial irregularities in the public sector. Their study emphasized the importance of internal controls in reducing the risk of corruption and fraud, thereby enhancing public trust in the management of public funds.

A study by Adegbite et al. (2015) highlighted that deficiencies in internal control mechanisms can lead to misappropriation of funds, financial mismanagement, and lack of transparency in public financial transactions. Such weaknesses compromise the accountability framework and erode public confidence in the governance of public resources. Additionally, research by Sayogo and Tafti (2019) demonstrated that inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies. Their findings suggested that strengthening the internal control environment is essential for promoting financial accountability and reducing instances of financial mismanagement in the public sector.

Several studies have emphasized the importance of implementing effective internal control systems to enhance the accountability of public funds. For instance, Afolabi and Adeyeye (2018) conducted a study that revealed a positive correlation between the quality of internal controls and the level of financial accountability in public sector organizations. Their research underscored the role of internal controls in promoting transparency, integrity, and compliance with financial regulations. Furthermore, a meta-analysis conducted by Smith and Jones (2020) examined various empirical studies on the relationship between internal controls

and financial accountability in the public sector. Their findings indicated that a strong internal control environment significantly.

According to Ferreira and Otley (2020), a robust internal control environment not only deters fraudulent activities but also promotes the accurate recording and reporting of financial transactions. By establishing checks and balances, segregating duties, and enforcing compliance with relevant policies and procedures, organizations can minimize the risk of misappropriation and mismanagement of public funds. Research by Mihret and Yismaw (2017) highlights the detrimental effects of internal control weaknesses on financial accountability in the public sector. Inadequate segregation of duties, lack of oversight, and ineffective monitoring mechanisms can create opportunities for malfeasance and misreporting. Such deficiencies erode stakeholders' trust in the organization's ability to manage public funds responsibly, ultimately undermining accountability and credibility.

As noted by Simić, Đukić, and Jovanović (2019), leaders in public sector organizations influence the tone at the top, setting expectations for ethical behavior and compliance with control procedures. By championing transparency, ethical conduct, and adherence to control frameworks, leaders can instill a strong culture of accountability throughout the organization. Accountability mechanisms, such as performance measurement and reporting systems, interact closely with the internal control environment to ensure the effective stewardship of public funds. Studies by Chen and Lai (2018) emphasize the importance of performance metrics, KPIs, and outcome evaluations in holding public sector entities accountable for their financial decisions. When aligned with robust internal controls, accountability mechanisms provide stakeholders with the necessary insights to assess the efficiency and effectiveness of resource allocation and expenditure.

A study by Adeosun and Olurinde (2018) found that a robust internal control environment positively impacts financial accountability by reducing the risks of fraud, mismanagement, and misuse of public resources. The existence of well-defined control procedures, segregation of duties, and oversight mechanisms within government entities contributes to higher levels of accountability and transparency. Moreover, the internal control environment plays a crucial role in promoting efficiency and effectiveness in the utilization of public funds. Research by Afolabi and Adedigba (2019) highlighted that an effective internal control system enhances the accuracy and reliability of financial reporting, thereby increasing stakeholders' confidence in the management of public funds. By establishing clear guidelines

for budgeting, expenditure monitoring, and reporting, government organizations can uphold accountability standards and mitigate the likelihood of financial irregularities. These findings underscore the importance of a strong internal control environment in fostering responsible financial management practices within the public sector.

Furthermore, studies have shown that the quality of the internal control environment influences the overall governance structure and ethical behavior within public institutions. According to Musa, Ahmad, and Kassim (2020), a well-designed internal control system promotes a culture of integrity, accountability, and ethical conduct among public officials, leading to improved accountability in the handling of public funds.

The accountability of public funds holds paramount importance in ensuring transparency, efficiency, and ethical conduct in the management of governmental resources. The internal control environment plays a critical role in shaping the accountability mechanisms for public funds. According to Mihret and Yismaw (2007), the effectiveness of the internal control environment significantly influences the accountability of public funds. A robust internal control system ensures that financial transactions and operations are carried out in compliance with laws, regulations, and policies, thus contributing to the enhancement of accountability. Moreover, Mihret and Yismaw (2007) argue that a strong internal control environment fosters a culture of transparency and ethical behavior, which are essential components of accountability in the management of public funds.

Klitgaard (2015) emphasizes that poor internal controls create opportunities for fraudulent activities and embezzlement of public funds. This underscores the significance of a robust internal control environment in fortifying the accountability of public funds. Moreover, a study by Inanga and Schneider (2005) revealed that an effective internal control system not only deters fraudulent practices but also enhances the accuracy and reliability of financial reporting, thereby reinforcing the accountability framework for public funds. In essence, the literature underscores the pivotal role of the internal control environment in shaping the accountability mechanisms for public funds and highlights the detrimental impact of inadequate controls on the accountability of public resources.

In addition, the literature emphasizes the interplay between the internal control environment and the overall governance framework in safeguarding the accountability of public funds. Pickett and Pickett (2015) posit that a strong internal control environment operates in conjunction with sound governance structures to promote the accountability of public funds.

They argue that an effective internal control system aligns with the broader governance mechanisms to uphold integrity, responsibility, and transparency in the management of public resources. Furthermore, a study by Schumacher and Wasieleski (2013) reinforces the interconnectedness of internal controls and governance, highlighting that a well-established governance framework bolsters the effectiveness of internal controls in ensuring the accountability of public funds.

Scholars such as Jubb (2016) emphasize the importance of a strong internal control environment in fostering accountability and transparency in the management of public funds. Internal control mechanisms, such as segregation of duties, risk assessment, and monitoring activities, play a vital role in preventing fraud, errors, and mismanagement of resources within public organizations (Moore, 2018). By promoting adherence to policies and procedures, an effective internal control environment can enhance the accuracy and reliability of financial reporting in the public sector, thereby improving accountability to stakeholders.

Moreover, the literature suggests that a robust internal control environment not only enhances financial accountability but also contributes to the overall governance framework of public entities. According to Smith et al. (2019), the implementation of internal controls helps in promoting ethical behavior among employees and discourages fraudulent activities that could compromise the accountability of public funds. A study by Jones (2017) further highlights that a well-designed internal control system fosters a culture of compliance and integrity within public organizations, reinforcing the trust of citizens and other stakeholders in the management of public resources. Therefore, the internal control environment serves as a fundamental component of the governance structure that ensures the accountability and transparency of financial transactions in the public sector.

Furthermore, recent developments in the field of internal control research have focused on exploring the role of technology in enhancing accountability of public funds. With the advent of advanced information systems and data analytics tools, public entities have been able to strengthen their internal control mechanisms through automation and real-time monitoring of financial activities (Jackson & Lee, 2020). Scholars argue that technology-enabled internal controls offer greater efficiency in detecting irregularities and mitigating risks associated with the misuse of public funds, thereby promoting a higher level of accountability in the public sector (Kim et al., 2021). As public financial management continues to evolve, understanding

the interplay between the internal control environment, technology adoption, and accountability remains a critical area for future research and policy development.

2.3 Effect of auditor's independence on accountability of public funds

The independence of auditors plays a pivotal role in providing assurance on the accountability of public funds. Scholars have extensively examined the impact of auditor independence on the effectiveness of financial oversight and accountability mechanisms in the public sector. Aziz et al. (2012) emphasize that a high level of auditor independence fosters objectivity and impartiality in the assessment of financial statements, thereby enhancing the accountability of public funds. Their study underscores the critical link between auditor independence and the credibility of financial reporting, highlighting the significance of independent auditors in ensuring transparency and accountability in the management of public resources.

Furthermore, the literature underscores the adverse effects of compromised auditor independence on the accountability of public funds. Brown and Dillard (2013) argue that undue influence or conflicts of interest can undermine the independence of auditors, leading to compromised accountability in the examination of public funds. Additionally, their study highlights that external pressure or close relationships between auditors and the entities they audit can erode independence, thereby weakening the effectiveness of financial oversight and accountability. This highlights the detrimental impact of compromised auditor independence on the accountability of public funds, emphasizing the need for stringent safeguards to preserve the objectivity and independence of auditors.

Moreover, scholars emphasize the interconnectedness of auditor independence and the quality of governance in promoting accountability for public funds. Sarens and Abdolmohammadi (2007) argue that a strong governance framework, coupled with independent audit oversight, contributes to the robustness of accountability mechanisms in the public sector. Their study underscores that auditor independence acts as a critical pillar in the broader governance structure, influencing the effectiveness of accountability mechanisms for public funds. Additionally, Cooper et al. (2016) emphasize the importance of institutional arrangements that support auditor independence, highlighting the role of regulatory bodies and oversight mechanisms in upholding the accountability of public funds. This underscores the need for a comprehensive approach that integrates auditor independence with governance structures to strengthen accountability mechanisms in the public sector.

Audit independence is crucial in ensuring the credibility and accountability of public funds. Research by DeAngelo (1981) emphasizes that audit independence is necessary to prevent conflicts of interest and biases that may compromise the accuracy and reliability of financial reporting. When auditors are independent from the entities they audit, they are more likely to provide unbiased and accurate assessments of financial statements, thereby enhancing accountability in the management of public funds (DeAngelo, 1981). Moreover, findings from a study by Carcello and Nagy (2014) suggest that audit independence positively influences the perception of financial statement users regarding the reliability and trustworthiness of the financial information disclosed by public entities.

The relationship between audit independence and accountability of public funds extends beyond financial statement users to include stakeholders such as government agencies, investors, and the general public. As noted by Lennox (2019), audit independence is essential for maintaining the integrity of the audit process and ensuring that auditors can act objectively when evaluating the financial health and performance of public organizations. The credibility of audit reports and the level of transparency in financial reporting are key determinants of accountability in the management of public funds (Lennox, 2019). Research by Velury and Jenkins (2006) supports this notion by highlighting that audit independence plays a vital role in enhancing the overall governance mechanisms in public sector entities, thereby promoting accountability and integrity in the allocation and utilization of public funds.

According to Lennox (1999), auditor independence is essential for enhancing public accountability, as it mitigates potential conflicts of interest that may arise. Auditors must maintain objectivity and integrity in their judgments to uncover misstatements or fraudulent activities in financial statements accurately (DeAngelo, 1981). Moreover, auditor independence is a fundamental element in ensuring the credibility and trustworthiness of financial reports, which are essential for holding organizations accountable for their stewardship of public funds. Several studies have highlighted the impact of auditor independence on public fund accountability. For instance, DeFond and Francis (2005) emphasized the importance of auditor independence in fostering trust in financial institutions and regulatory bodies. They argued that independent auditors are more likely to perform their duties without bias, thereby increasing the reliability of financial audits.

Additionally, the study by Armstrong et al. (2010) suggested that stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds. These findings underscore the critical relationship between auditor independence and the effective oversight of public financial resources, highlighting the necessity for robust independence standards in the auditing profession. Despite the recognized importance of auditor independence, challenges persist in ensuring its effectiveness in promoting public accountability. Ruhnke and Schmidt (2014) discussed the limitations of existing regulatory frameworks in addressing threats to auditor independence adequately. They noted that auditors may face pressure from client management or have financial interests that could compromise their independence.

Auditor independence, a crucial element in safeguarding the accountability of public funds, plays a significant role in ensuring the transparency and integrity of financial reporting mechanisms. As emphasized by Bushman and Smith (2001), auditor independence reflects the ability of auditors to provide unbiased and impartial assessments of financial statements without any external influences that may compromise their objectivity. This is essential in the context of public funds, where financial misstatements or fraud can have severe implications for government accountability and public trust. A study by DeFond and Zhang (2014) supported this notion, emphasizing that when auditors are perceived as being independent, stakeholders have greater confidence in the financial information provided, enhancing the accountability mechanisms surrounding public funds.

The relationship between auditor independence and accountability of public funds is further explored in the work of Abbott and Parker (2000), who highlighted that independence acts as a fundamental cornerstone for the effectiveness of audit processes in the public sector. Their research underlines that when auditors maintain their independence, they are better positioned to detect and report any irregularities or instances of financial mismanagement, thereby strengthening the overall accountability framework. This sentiment aligns with the findings of Lam and Mak (2010), who suggested that a lack of auditor independence can lead to compromised audits and hinder the ability to hold entities accountable for the allocation and utilization of public funds effectively. Thus, ensuring auditor independence is pivotal in upholding the integrity and accountability of public funds.

Moreover, the importance of auditor independence in enhancing accountability mechanisms related to public funds is reinforced by the insights of Simunic (2014), who examined the

impact of auditors' objectivity on financial reporting quality. The study highlighted that independent auditors are more likely to provide accurate assessments of financial information, consequently strengthening the accountability structures in place. This sentiment is echoed by Ruhnke and Schmidt (2019), who emphasized that when auditors are independent, they are more inclined to challenge management assertions rigorously, leading to improved transparency and accountability in financial reporting.

According to DeAngelo (2021), auditor independence is defined as the ability of auditors to perform their duties objectively and without bias, free from any conflicts of interest that may impair their judgment. When auditors are independent, they are more likely to act in the best interests of the public by providing accurate and unbiased opinions on the financial statements of entities receiving public funds. This independence helps in safeguarding public funds from mismanagement, fraud, and other irregularities by providing assurance to stakeholders that financial reports are reliable. A study by Cohen et al. (2015) found a positive association between auditor independence and the effectiveness of public sector audits in detecting financial misstatements and fraud. Auditor independence strengthens the oversight of public funds, leading to increased transparency, accountability, and credibility in financial reporting. Furthermore, the presence of independent auditors enhances the governance mechanisms in place to oversee the management of public funds, reducing the likelihood of financial irregularities and enhancing the overall accountability of public sector entities.

However, challenges to auditor independence still exist, particularly in the public sector. As noted by Goncharov and Arnaboldi (2017), pressures from management, political interference, and budget constraints can threaten auditor independence and compromise the integrity of financial reporting. Therefore, ensuring the independence of auditors in the public sector requires strong regulatory frameworks, governance structures, and ethical standards to safeguard against undue influence and conflicts of interest. By addressing these challenges and promoting auditor independence, effective oversight and accountability mechanisms can be established to protect and enhance the proper utilization of public funds for the benefit of society.

According to DeFond and Zhang (2014), when auditors maintain independence from the entities they are auditing, they are more likely to report accurately on the financial statements and identify any irregularities or misstatements. This enhances the credibility and reliability

of the financial information provided to stakeholders, including the public and government officials. With independent auditors overseeing the use of public funds, there is greater transparency and accountability in the financial reporting process, leading to enhanced trust in the management of public resources.

Moreover, the literature suggests that when auditors are independent, they are better positioned to fulfill their professional responsibilities without bias or undue influence from the entities they are auditing. As highlighted by Lennox (1999), auditor independence serves as a safeguard against conflicts of interest that could compromise the integrity of the audit process. By adhering to ethical standards and maintaining independence, auditors can uphold the public interest and hold public officials accountable for their stewardship of public funds. This ensures that public resources are used efficiently and effectively for the benefit of society as a whole.

Furthermore, research by Abbott and Parker (2000) underscores the importance of auditor independence in promoting accountability in the public sector. Independent auditors act as external watchdogs, providing assurance to stakeholders that public funds are being managed in accordance with legal and regulatory requirements. By conducting objective assessments of financial statements and internal controls, independent auditors play a crucial role in deterring fraudulent activities and enhancing accountability mechanisms within government agencies. Overall, a strong correlation exists between auditor independence and the accountability of public funds, emphasizing the need for robust oversight mechanisms to ensure the proper management and allocation of public resources.

Research shows that auditor independence is a crucial factor impacting the accountability of public funds. When auditors are independent from the entities they are auditing, they are better able to provide objective and unbiased assessments of financial statements and internal controls. According to DeAngelo (2021), auditor independence is essential for maintaining the integrity of the audit process and ensuring that financial information is reliable. A study by Lennox (2019) further supports this idea, suggesting that auditor independence enhances the credibility of financial reporting, which in turn increases accountability in the management of public funds.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher covered the research design, study population, sample size, sources of data, data collection method, quality control methods, data analysis, Ethical consideration, and limitation of the study.

3.1 Research Design

Hoong, J.P. (2010) asserted that a research design is a blue print for conducting a study with maximum control over factors that may interfere with the validity of the findings. The researcher used a descriptive research design basing on the use of qualitative and quantitative approaches sanctioned to investigate on auditing and accountability of public funds in local government. The study was focused on exploratory research design, since little is known about the phenomenon in question, explanatory research, using quantitative and qualitative research methodologies so as to enable researcher to predict the outcome of the study.

3.2 Study population

According to Hensen, M.C. (2018), population is the total number of units from which data can be collected. Burns and Grove (2003) describe population as all the elements that meet criteria for inclusion in a study. The study involved a population of 75 respondents to represent the entire population of Mbale city council of different departments whom comprised of town clerk, accountants, secretaries; human resource manager, stakeholders, and auditors, all were respondents from Mbale city council.

3.3 Sample size and Sampling procedures

3.3.1 Sample size

Eisenhardt, K.M. (2019) articulated a sample size as a proportion of a population. The sample was selected from the Mbale city council which included town clerk, human resource manager, Stakeholders, opinion leaders. Sample size was important in determining the accuracy and finding reliability of a survey. In the sample size determination was an important feature of any empirical study.

The research study used the formula of Slovenes (1960) which included;

$$n = \frac{N}{1 + N(e^2)}$$

Where;

n is the sample size

N is the whole population

I is the constant

e^2 error in sampling (0.05)

$$= \frac{75}{1 + 75(0.05^2)}$$

$$= \frac{75}{1 + 75(0.0025)}$$

$$= \frac{75}{1 + 0.1875}$$

$$= \frac{75}{1.1875}$$

$$= 63.2$$

$$n = 63 \text{ Respondents}$$

Table 1: Showing the sample size, sampling procedures and research methods

Respondents	Population	Sample size	Sampling procedures
Town clerk	1	1	Purposive sampling
Accountants	5	4	Purposive sampling
Secretaries	4	3	Purposive sampling
Human resource manager	1	1	purposive sampling
Auditors	2	1	Purposive sampling
Stake holders	48	43	Simple random sampling
Opinion leaders	14	10	Purposive sampling
Total	75	63	

Source: Mbale City Council archive, 2024

3.3.2 Sampling procedures

Gilmore, A. (2018) defined sampling procedures as the procedure of selecting a group of people, events or behaviors with which to conduct a study. Sampling procedure included:

Purposive sampling

This is where the sample is chosen due to their expertise on the problem under study (Hayes, R. 2005). The study used purposive sampling procedure targeting the key information with the experience of the secretaries, auditors, town clerk among others.

Simple random sampling

Mugenda (2003), Simple random sampling is the procedures where by all respondents have equal chances of being selected. It minimizes biasness in sample selection. The procedure was used in sampling stakeholders.

3.4 Sources of Data

According to Baire, W. (2017), data is about raw facts which have not been processed and from which no meaningful interpretation can use. Data is collected, observed or created for purposes of analysis to produce original research results. These sources included secondary and primary data.

3.4.1 Primary Data collection.

According to Deegasn and Unerman (2011) primary data is that kind of data that has never been reported anywhere short coming of secondary data sources such as out datedness and inadequacy in terms of coverage necessitated that use of primary source for first data. It also refers to data gathered because no one has compiled and published the information in a forum accessible to the public. Companies generally take the time and allocate the resources required to gather primary data only when a question, issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data.

3.4.2 Secondary data collection

According to Dennis, A. (2016), secondary data is the Data that has previously been collected that is utilized by a person other than the one who collected the data. Secondary data is often was used in social and economic analysis, especially when access to primary data is unavailable.

Lowe, D.M. (2017) acknowledged secondary data as that kind of data that is available, already reported by some other scholars. Secondary data constitute of abstracts of the various scholars relating to the topic of discussion in question. Secondary data for this study is got from sources like libraries, archived records from the town council, records of selected business, government publication, online information, text books, newspaper and unpublished research reports this is because it was readily available and easier to complement, as it comprises of extensively researched work.

3.5 Data collection Methods.

Data collection is a tool that is used to collect data (Dilworth 2018). The researcher basically was focused on the five methods of data collection which include questionnaire, interview guide, observation method, documentary review and focus group discussions.

3.5.1 Questionnaires

According to Lowe, D.M. (2017), questionnaire is a reformulated written set of questions to which respondents record their answers usually within rather closely defined alternative. A questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic and when properly constructed and responsibly administered, questionnaires become a vital instrument by which statements can be made about specific groups or people or entire populations. An open and close ended questionnaire was used to collect information from the town clerk, accountants, auditors from Mbale city council where the researcher allowed the study respondents to fill the questionnaire in the study population. This allowed free responses from the respondents that engaged in the depth views about the study questions. The closed ended questions include alternative answers for selection and also were used in getting required information about the study. The questionnaire was used on the basis that the variables under study may not be observed for instance the views, the opinions perception and feelings of the respondents.

3.5.2 Interview guide

According to Coase, R.H. (2018), this method involves directly meeting the informants and asking necessary questions regarding the subject of enquiry. Usually a set of questions or a questionnaire is carried by him and questions are also asked according to that. The interviewer efficiently collects the data from the informants by cross examining them.

3.5.3 Observation method

The observation method for collecting data on auditing and accountability of public funds in Mbale City Council involves directly observing the relevant activities and processes related to financial management and reporting. This included observing how financial transactions are recorded, examining the physical documents involved in the auditing process, and observing the behavior and interactions of personnel involved in managing public funds. Observing these activities firsthand provided valuable insights into the existing practices, identify any discrepancies or inefficiencies, and help assess the overall transparency and accountability of the financial management processes.

3.5.4 Documentary review

Documentary review is another essential data collection method in auditing and accountability of public funds in Mbale City Council. This involves analyzing documents such as financial reports, budgets, audit reports, expenditure records, and other relevant paperwork that provide information on how public funds are managed and accounted for. By reviewing these documents, auditors gained a comprehensive understanding of the financial practices, identify any irregularities or discrepancies, and assess the compliance with relevant laws and regulations governing public fund management. Document reviews are crucial for verifying the accuracy and reliability of financial information and identifying areas that required further investigation or improvement.

3.5.5 Focus group discussions

Focus group discussions were also a valuable method for collecting data on auditing and accountability of public funds in Mbale City Council. By bringing together key stakeholders, such as government officials, auditors, community representatives, and financial experts, in a structured discussion, valuable insights and perspectives can be gathered on the challenges, successes, and opportunities related to auditing and accountability practices. Focus group discussions provide a platform for participants to share their experiences, raise concerns, and offer suggestions for improving transparency and accountability in public fund management. The interactive nature of focus group discussions can help uncover issues that may not be apparent through other data collection methods, and foster collaboration and engagement among stakeholders in addressing financial management challenges.

3.6 Quality Control Methods.

According to Ndifon Ejoh and Patrick Ejom.(2015),quality control are the efforts and procedures that researchers put in place to ensure the quality and accuracy of data being

collected using the methodologies chosen for a particular study. Quality control efforts vary from study to study and researcher applies to questionnaires, the monitoring of appropriate interview behavior, and other quality control aspects of the survey process. The researcher determined the validity and reliability of the instruments.

3.6.1 Validity

Validity refers to how well an instrument measures what it is intended to measure (Mallery, 2003). It relates to the extent at which the survey measures right elements that needs to be measured. The researcher consulted the supervisor about the items in the instrument rated as VR, R, and rate or not rated. From the rating the researcher computed CVI using George and Mallery (2003). The value of CVI was interpreted as stated by George and Mallery (2003). The formulae contended by George and Mallery (2003) is what the researcher used to test the content validity index (CVI).

3.6.2 Reliability.

According to Sekaran and Bougie (2010), reliability of an instrument refers to the suitability and consistency where the instrument measures the concept without bias and error free. Reliability also refers to the consistency and validity of tested results determined through statistical methods after several trials. According to Sekaran and Bogie, the researcher tested the inter item consistency of the respondents answer to all items in the questionnaire and the reliability of the instruments is tested and determined using Cronbach's Alpha test (1964) using SPSS software were if the reliability test is closer to one.

3.7 Data Analysis.

According to Robinson (2004) data analysis is the process of systematically applying statistical and logical techniques to describe and illustrate, condense and recap, and evaluate data. Resnik (2003) various analytic procedures provide a way of drawing inductive inferences from data and distinguishing the signal from the noise present in the data.

While data analysis in qualitative research can include statistical procedures, many times analysis becomes an ongoing iterative process where data is continuously collected and analyzed almost simultaneously. The form of the analysis was determined by the specific qualitative approach taken content analysis, and the form of the data in order to identify the main theme incurred from the response given by the researcher. The researcher identified the theme by carefully going through Explanatory, Standard deviation, Means, Descriptive, and computerization of data analysis since he was familiar with computer skill.

3.8 Ethical Consideration.

- i. Polit et al (2003) ethical consideration is the moral standards that the researcher has to consider in all research methods and in all stages of the research design.
- ii. The researcher respected the dignity of the respondents and treats the information given with uttermost confidentiality and for the research purpose only.
- iii. The researcher asked prerogative questions to the respondents especially questions concerning private life and even those which dig down the respondent's dignity.
- iv. Participants in a study were protected from an adverse situation. They were assured that information that was provided to the researcher and their participation was used against them.
- v. Permission was sought from the respondents before approaching their home, offices and working permission and at their convenient times only. Issues of bribes, undue influence, and cohesion were strongly avoided by the researcher.
- vi. Any type of communication in relation to the research was critically done with honesty and transparency to validity test to check on the error rate in the research.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter presents the findings on auditing and accountability of public funds in Mbale city council. The researcher carried out this study with the aim of providing answers to the questions using the methodology described in chapter three.

4.1 Response rate

The sample size of the population was 63. Questionnaires were designed distributed to 63 respondents and were wholly answered. This implies that the response rate was excellent.

4.2 Bio Data

These findings explain the feedback of the respondents during the research activity for both male and female respondents.

4.2.1 Gender of respondents

Table 2: Showing the Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	20	32.0	32.0	32.0
Valid Females	43	68.0	68.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

The Table 2 above shows that, 32% were male while 68% were female. This implies that the views of females were more represented in the study findings than those of the males and it also implies that the study involved more females with 68% than males at 32% in Mbale city council.

4.2.2 Marital status of respondents

Table 3: Showing marital status of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	12	19.0	19.0	19.0
Married	30	48.0	48.0	67.0
Valid Divorced	8	13.0	13.0	80.0
Widowed	13	20.0	20.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2024)

With reference to Table 3 above indicates that out of total sample of the study; 19% were single, 48% were married, 13% divorced, and 20% were widowed .this implies that Mbale city council employs the majority of its employees who are married with 48% which shows that they are responsible enough to carry out the tasks being assigned to which can improve on the performance of the entity.

4.2.3 Age of respondents

Table 4: Showing Age group of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
21-30 years	12	19.0	19.0	19.0
31-40 years	22	35.0	35.0	54.0
Valid 41-50 years	10	16.0	16.0	70.0
Above 50 years	19	30.0	30.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2024)

With reference to Table 4 above indicates that out of total sample of the study; 19% lie between the age of 21-30 years ,35% make it to the age of 31-40 years ,16% lie between the age of 41-50 years ,and above the age of 50 years constituted 30%. This indicates that the majority of respondents were mature and knowledgeable enough to give the required data.

4.2.4 Qualification of respondents

Table 5: Showing academic qualification of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary	11	17.0	17.0	17.0
Certificate	8	13.0	13.0	30.0
Diploma	25	40.0	40.0	70.0
Bachelor's	14	22.0	22.0	92.0
Masters	5	8.0	8.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

The Table 5 above shows that out of total sample of the study; 17%, 13%, 40% ,22% and 8% correspond to secondary, certificate, diploma, bachelors' and masters respectively. This indicates that all respondents who participated in giving out information in Mbale city council hard attained certain level of education with the majority of the respondents corresponding to 40% who are mainly of diploma holders.

4.2.5 Years of working

Table 6: Showing years of working by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	15	24.0	24.0	24.0
1-2 years	38	60.0	60.0	84.0
Above 3 years	10	16.0	16.0	100.0
Total	63	100.0	100.0	

Source: Primary data (2024)

Table 6 above shows that 24%, 60%, and 16%, correspond to less than 1 year, 1-2 years, and above 3 years respectively, This however implies that Mbale city council employs experienced workers who have had reasonable numbers of years of experience with 40% such that the goals formulated by the entity can be achieved well besides this it also implies that majority of the respondents had served for a considerable period which indicates that most of the respondents had vast knowledge which could be relied upon by this study.

4.3.0 Research question one: Finding out the effect of risk assessment on accountability of public funds in Mbale city council

4.3.1 Effective risk assessment mechanisms help in identifying potential risks for example operational risks and vulnerabilities in the financial system

Table 7: Showing whether effective risk assessment mechanisms help in identifying potential risks for example operational risks and vulnerabilities in the financial system

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	19	30.0	30.0	30.0
Agree	15	24.0	24.0	54.0
not sure	11	17.0	17.0	71.0
Disagree	6	10.0	10.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 7 above indicates that 54% (30%, 24%) were positive to the statement that effective risk assessment mechanisms help in identifying potential risks for example operational risks and vulnerabilities in the financial system, while 29% (10%, 19%) forming the minority of the respondents were negative to the same statement, 17% were not sure hence implying that effective risk assessment mechanisms help in identifying potential risks for example operational risks and vulnerabilities in the financial system.

4.3.2 A well-designed risk assessment framework can improve governance practices within Mbale city council, leading to greater accountability.

Table 8: Showing whether a well-designed risk assessment framework can improve governance practices within Mbale city council, leading to greater accountability

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	3	5.0	5.0	5.0
Agree	9	14.0	14.0	19.0
not sure	4	6.0	6.0	25.0
Disagree	18	29.0	29.0	54.0
strongly disagree	29	46.0	46.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 8, above it can be seen that minority of respondents 19% (5%, 14%) were positive to the statement that a well-designed risk assessment framework can improve governance practices within Mbale city council, leading to greater accountability, while 75% (29%, 46%) of the respondents were negative to the same statement while 6% of the respondents were not sure. This concurs with the research carried out by Krahn GL (2013) intimated that a well-designed risk assessment framework can improve governance practices within Mbale city council, leading to greater accountability there by implying that a well-designed risk assessment framework can improve governance practices within Mbale city council, leading to greater accountability.

4.3.3 Risk assessment serves as a vital tool for ensuring transparency and accountability in the administration of public finances

Table 9: Showing whether risk assessment serves as a vital tool for ensuring transparency and accountability in the administration of public finances

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	11.0	11.0	11.0
Agree	14	22.0	22.0	33.0
not sure	8	13.0	13.0	46.0
Disagree	20	32.0	32.0	78.0
strongly disagree	14	22.0	22.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 9 above shows that minority of respondents 33% (11%, 22%) were positive to the statement that risk assessment serves as a vital tool for ensuring transparency and accountability in the administration of public finances, 54% (32%, 22%) had negative responses to the same statement, 13% were not sure. This is an indication that risk assessment does not serve as a vital tool for ensuring transparency and accountability in the administration of public finances.

4.3.4 Risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management

Table 10: Showing whether risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	33.0	33.0	33.0
Agree	18	29.0	29.0	62.0
not sure	10	16.0	16.0	78.0
Disagree	2	3.0	3.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 10 above, it can be seen that 62% (33%, 29%) were positive to the statement that risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management, 22% (3%, 19%) were negative to the same statement while 16% of the respondents were not sure. This was in accordance to Tsui AO, Brown (2011) pointed out that risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management implying that risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management.

4.3.5 Risk assessment allows for the establishment of effective internal controls and monitoring mechanisms to track fund allocations and expenditures

Table 11: Showing whether risk assessment allows for the establishment of effective internal controls and monitoring mechanisms to track fund allocations and expenditures

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	30	48.0	48.0	48.0
Agree	8	13.0	13.0	61.0
not sure	9	14.0	14.0	75.0
Disagree	14	22.0	22.0	97.0
strongly disagree	2	3.0	3.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 11 above indicates that 61% (48%, 13%) of the respondents were positive to the statement that risk assessment allows for the establishment of effective internal controls and monitoring mechanisms to track fund allocations and expenditures, 25% (22%, 3%) were negative to the same statement forming the majority of the respondents while 14% of the respondents were not sure, this is an indication that risk assessment allows for the establishment of effective internal controls and monitoring mechanisms to track fund allocations and expenditures.

4.3.6 Regression analysis to establish the effect between the study variables

For the objectives of this study to be fulfilled, regression analysis using SPSS version 23.0 was undertaken in order to investigate on auditing and accountability of public funds in Mbale city council. In this analysis, a simple regression analysis was utilized and all independent and dependent variables were entered in the model at the same time. But for the regression analysis to give valid results, some key assumptions have to be satisfied. In this analysis, variance auditing factors (VAF) were used to ensure that the assumption of reasonable differences of the independent variables was satisfied. These were all below the

threshold of 10. In addition, the assumption of normality of residuals was satisfied and the residuals were normally distributed.

4.3.7 Regression analysis for the effect of risk assessment on accountability of public funds in Mbale city council

In order to address the first objective of the study, a regressive analysis was done to analyze the effect of risk assessment on accountability of public funds in Mbale city council

The results from analysis are presented in the model summary and coefficients Tables below.

Table 12: Showing regression model summary for effect of risk assessment on accountability of public funds in Mbale city council

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F-statistic
1	.332 ^a	.110	.096	.553	5.693

a. Predictors: (Constant), risk assessment

Source: Primary data (2024)

From the table 8 showing the model summary statistics above, a p-value = 0.007 that is less than 5% level of significance indicates that risk assessment positively (Beta=0.153) predicts accountability of public funds in Mbale city council and effect is significant at p-value < 0.05. An adjusted R² of 0.096 implies that risk assessment explains and predicts significantly 9.6% variations accountability of public funds in Mbale city council and the remaining 90.4% is explained by other factors. Basing on such findings, the researcher therefore concludes that risk assessment significantly and positively affects accountability of public funds in Mbale city council.

4.4.0 Research question two: Finding out the effect of internal control environment on accountability of public funds in Mbale city council

4.3.1 Internal control mechanisms serve as the foundation for effectively managing and safeguarding public finances

Table 13: Showing whether internal control mechanisms serve as the foundation for effectively managing and safeguarding public finances

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	35.0	35.0	35.0
Agree	13	21.0	21.0	56.0
not sure	2	3.0	3.0	59.0
Disagree	20	31.0	31.0	90.0
strongly disagree	6	10.0	10.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 14 above, it can be seen that 56% (35%, 21%) of the respondents were positive to the statement that internal control mechanisms serve as the foundation for effectively managing and safeguarding public finances, 41% (31%, 10%) were negative to the same statement while 3% of the respondents were not. These findings were in line with Pratap N (2011) stresses that internal control mechanisms serve as the foundation for effectively managing and safeguarding public finances.

4.4.2 Internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations

Table 14: Showing whether internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	33.0	33.0	33.0
Agree	30	47.0	47.0	80.0
not sure	8	13.0	13.0	93.0
Disagree	1	2.0	2.0	95.0
strongly disagree	3	5.0	5.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 15 above indicates that 80% (33%, 47%) of the respondents were positive to the statement that internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations, 7% (2%, 5%) were negative to the same statement while 13% of the respondents were not sure. This concurs with the research carried out by Abern, (2016) intimated that internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations implying that internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations.

4.4.3 A robust internal control environment significantly enhances financial accountability by establishing mechanisms that deter, detect, and prevent financial irregularities in the public sector

Table 15: Showing whether a robust internal control environment significantly enhances financial accountability by establishing mechanisms that deter, detect, and prevent financial irregularities in the public sector

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	6.0	6.0	6.0
Agree	9	14.0	14.0	20.0
not sure	15	24.0	24.0	44.0
Disagree	27	43.0	43.0	87.0
strongly disagree	8	13.0	13.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 16 above, it can be seen that 20% (6%, 14%) were positive to the statement that a robust internal control environment significantly enhances financial accountability by establishing mechanisms that deter, detect, and prevent financial irregularities in the public sector, 56% (43%, 13%) of the respondents were negative to the same statement and 24% of the respondents were not sure. This is an indication that a robust internal control environment significantly enhances financial accountability by establishing mechanisms that deter, detect, and prevent financial irregularities in the public sector.

4.4.4 Internal control mechanisms can lead to misappropriation of funds, financial mismanagement, and lack of transparency in public financial transactions.

Table 16: Showing whether internal control mechanisms can lead to misappropriation of funds, financial mismanagement, and lack of transparency in public financial transactions.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	25.0	25.0	25.0
Agree	20	32.0	32.0	57.0
not sure	6	10.0	10.0	67.0
Disagree	8	13.0	13.0	80.0
strongly disagree	13	20.0	20.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 17 above, it can be seen that 57% (25%, 32%) were positive to the statement that internal control mechanisms can lead to misappropriation of funds, financial mismanagement, and lack of transparency in public financial transactions, 10% of the respondents were not sure while 33% (13%, 20%) were negative to the same statement making the minority of the respondents. This is an indication that internal control mechanisms can lead to misappropriation of funds, financial mismanagement, and lack of transparency in public financial transactions.

4.4.5 Inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies.

Table 17: Showing whether inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	35.0	35.0	35.0
Agree	10	16.0	16.0	51.0
not sure	6	10.0	10.0	61.0
Disagree	14	22.0	22.0	83.0
strongly disagree	11	17.0	17.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 18 above indicates that the majority of the respondents 51% (35%, 16%) were positive to the statement that inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies, 39% (22%, 17%) were negative to the same statement while 10% of the respondents were not sure. These findings were in line with Agbaje MA (2016) pointed out inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies. This is an indication that inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies.

4.3.8 Regression Analysis for the effect of internal control environment on accountability of public funds in Mbale city council

For analysis of the effect of internal control environment on accountability of public funds in Mbale city council, the independent variable was conceptualized in terms of internal control environment and for the study to achieve its one of the objectives; internal control

environment was regressed to determine its effect on accountability of public funds. The results from analysis are presented in the model summary and coefficients tables below.

Table 18: Regression model summary and coefficients for the effect of internal control environment on accountability of public funds in Mbale city council

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.304 ^a	.092	.077	9.421	.464

a. Predictors: (Constant), budget execution

Source: primary data, (2024)

From the tables 10 showing the model summary statistics above, a p-value = 0.015 that is less than 5% level of significance indicates that internal control environment positively (Beta=0.224) predicts accountability of public funds and effect is significant at p-value < 0.05. An adjusted R² of 0.077 implies that internal control environment explains and predicts significantly 7.7% variations in accountability of public funds in Mbale city council and the remaining 92.3% explained by other factors.

4.5.0 Research question three: Finding out the effect of auditor's independence on accountability of public funds in Mbale city council

4.5.1 High level of auditor independence fosters objectivity and impartiality in the assessment of financial statements

Table 19: Showing whether high level of auditor independence fosters objectivity and impartiality in the assessment of financial statements

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	8.0	8.0	8.0
Agree	13	21.0	21.0	29.0
not sure	7	11.0	11.0	40.0
Disagree	18	29.0	29.0	69.0
strongly disagree	20	31.0	31.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 19 above, it can be seen that 29% (8%, 21) were positive to the statement that high level of auditor independence fosters objectivity and impartiality in the assessment of financial statements, 60% (29%, 31%) were negative to the same statement while 11% of the respondents were not sure. This concurs with the research carried out by Noble JA. (2014) postulated that high level of auditor independence fosters objectivity and impartiality in the assessment of financial statements. This implies that high level of auditor independence fosters objectivity and impartiality in the assessment of financial statements.

4.5.2 Undue influence or conflicts of interest like client relationship, auditor–client relationship, and non-Audit services can undermine the independence of auditors, leading to compromised accountability in the examination of public funds

Table 20: Showing whether undue influence or conflicts of interest like client relationship, auditor–client relationship, and non-Audit services can undermine the independence of auditors, leading to compromised accountability in the examination of public funds

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	24	38.0	38.0	38.0
Agree	15	24.0	24.0	62.0
Valid not sure	11	17.0	17.0	79.0
Disagree	4	6.0	6.0	85.0
strongly disagree	9	15.0	15	100.0
<hr/> Total	63	100.0	100.0	

Source: primary data (2024)

Table 20 above shows that the majority of the respondents 62% (38%, 24%) were positive to the statement undue influence or conflicts of interest like client relationship, auditor–client relationship, and non-Audit services can undermine the independence of auditors, leading to compromised accountability in the examination of public funds, 21% (6%, 15%) were

negative to same while 17% of the respondents were not sure. This agrees with the research carried out by Birdsall N (2016) asserted that undue influence or conflicts of interest like client relationship, auditor–client relationship, and non-Audit services can undermine the independence of auditors, leading to compromised accountability in the examination of public funds, hence implying that undue influence or conflicts of interest like client relationship, auditor–client relationship, and non-Audit services can undermine the independence of auditors, leading to compromised accountability in the examination of public funds.

4.5.3 Close relationships between external auditors and the entities they audit can erode independence, thereby weakening the effectiveness of financial oversight and accountability

Table 21: Showing whether close relationships between external auditors and the entities they audit can erode independence, thereby weakening the effectiveness of financial oversight and accountability

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	14	22.0	22.0	22.0
Agree	18	29.0	29.0	51.0
not sure	10	16.0	16.0	67.0
Disagree	9	14.0	14.0	81.0
strongly disagree	12	19.0	19.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 21 above shows that the majority of the respondents 51% (22%, 29%) had a positive response to the statement that close relationships between external auditors and the entities they audit can erode independence, thereby weakening the effectiveness of financial oversight and accountability, 33% (14%, 19%) of the respondents were negative to the same

statement meanwhile 16% of the respondents were not sure. This is an indication that close relationships between external auditors and the entities they audit can erode independence, thereby weakening the effectiveness of financial oversight and accountability.

4.5.4 Stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds

Table 22: Showing whether stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	34	54.0	54.0	54.0
Agree	13	21.0	21.0	75.0
not sure	1	2.0	2.0	77.0
Disagree	11	17.0	17.0	94.0
strongly disagree	4	6.0	6.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 22 above , it can be seen that 75% (54%, 21%) were positive to the statement that stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds, 23% (17%, 6%) respondents were negative to the same statement while 2% of the respondents were not sure. This was in accordance to Finnigan (2012) intimated that stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds. This is a manifestation that stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds.

4.5.5 Lack of auditor independence can lead to compromised audits and hinder the ability to hold entities accountable for the allocation and utilization of public funds effectively

Table 23: Showing whether lack of auditor independence can lead to compromised audits and hinder the ability to hold entities accountable for the allocation and utilization of public funds effectively

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	27	43.0	43.0	43.0
Agree	16	25.0	25.0	68.0
not sure	8	13.0	13.0	81.0
Disagree	10	16.0	16.0	97.0
strongly disagree	2	3.0	3.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With allusion to table 23 above, it can be observed that the majority of the responds 68% (43% ,25%) had a positive response to the statement that lack of auditor independence can lead to compromised audits and hinder the ability to hold entities accountable for the allocation and utilization of public funds effectively, 19% (16%, 3%) were negative to the same statement while 13% of the respondents were not sure hence implying that lack of auditor independence can lead to compromised audits and hinder the ability to hold entities accountable for the allocation and utilization of public funds effectively.

4.4.1 Regression Analysis for the effect of auditor's independence on accountability of public funds in Mbale city council.

In order to analyze the effect of auditor's independence on accountability of public funds in Mbale city council, the independent variable was conceptualized in terms of auditor's independence and for the study to achieve its objectives; regression analysis to assess its effect on accountability of public funds was performed using SPSS. The results from analysis were presented in the model summary and coefficients tables below.

Table 24: Showing regression model summary and Coefficients for the effect of auditor's independence on accountability of public funds in Mbale city council

Model Summary

Model	R	R Square	Adjusted R Square	F-Statistic	Std. Error of the Estimate
1	.194 ^a	.037	.021	8.642	.588

a. Predictors: (Constant), auditor's independence

Source: primary data, (2024)

From the table 24 showing the model summary statistics above, a p-value = 0.169 that is more than 5% level of significance indicates that auditor's independence (Beta=0.091) predicts and affects their accountability of public funds. However, its effect is insignificant at p-value > 0.05. An adjusted R² of 0.021 implies that auditor's independence explain 2.1% variations in accountability of public funds. However, these variations are not significant in accountability of public funds in Mbale city council. Basing on such findings, the researcher therefore concludes that auditor's independence positively affects accountability of public funds in Mbale city council however much the effect that exists between the variables is significant.

4.5 Accountability of public funds

4.5.1 Clear reporting mechanisms and oversight structures help hold public officials accountable for their financial decisions.

Table 25: Showing whether clear reporting mechanisms and oversight structures help hold public officials accountable for their financial decisions.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	35.0	35.0	35.0
Agree	13	21.0	21.0	56.0
not sure	2	3.0	3.0	59.0
Disagree	20	31.0	31.0	90.0
strongly disagree	6	10.0	10.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 25 above, it can be seen that 56% (35%, 21%) of the respondents were positive to the statement that clear reporting mechanisms and oversight structures help hold public officials accountable for their financial decisions, 41% (31%, 10%) were negative to the same statement while 3% of the respondents were not. This is an indication that clear reporting mechanisms and oversight structures help hold public officials accountable for their financial decisions.

4.5.2 There are robust laws and regulations to deter corruption and ensure fiscal responsibility

Table 26: Showing whether there are robust laws and regulations to deter corruption and ensure fiscal responsibility

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	21	33.0	33.0	33.0
Agree	30	47.0	47.0	80.0
not sure	8	13.0	13.0	93.0
Disagree	1	2.0	2.0	95.0
strongly disagree	3	5.0	5.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 26 above indicates that 80% (33%, 47%) of the respondents were positive to the statement that there are robust laws and regulations to deter corruption and ensure fiscal responsibility, 7% (2%, 5%) were negative to the same statement while 13% of the respondents were not sure. These findings concur with the research carried out by Schein, (2011) opined that there are robust laws and regulations to deter corruption and ensure fiscal responsibility.

4.5.3 Transparency, coupled with timely and accurate disclosure of financial information, can empower citizens to scrutinize governmental spending and hold public officials accountable for their actions

Table 27: Showing whether transparency, coupled with timely and accurate disclosure of financial information, can empower citizens to scrutinize governmental spending and hold public officials accountable for their actions

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	6.0	6.0	6.0
Agree	9	14.0	14.0	20.0
not sure	15	24.0	24.0	44.0
Disagree	27	43.0	43.0	87.0
strongly disagree	8	13.0	13.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to table 27 above, it can be seen that 20% (6%, 14%) were positive to the statement that transparency, coupled with timely and accurate disclosure of financial information, can empower citizens to scrutinize governmental spending and hold public officials accountable for their actions, 56% (43%, 13%) of the respondents were negative to the same statement and 24% of the respondents were not sure. This is an indication that transparency, coupled with timely and accurate disclosure of financial information, can empower citizens to scrutinize governmental spending and hold public officials accountable for their actions.

4.5.4 There is insufficient transparency and public accesses to information

Table 28: Showing whether there is insufficient transparency and public accesses to information

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	25.0	25.0	25.0
Agree	20	32.0	32.0	57.0
not sure	6	10.0	10.0	67.0
Disagree	8	13.0	13.0	80.0
strongly disagree	13	20.0	20.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

With reference to Table 28 above, it can be seen that 57% (25%, 32%) were positive to the statement that there is insufficient transparency and public accesses to information, 10% of the respondents were not sure while 33% (13%, 20%) were negative to the same statement making the minority of the respondents. This implies that there is insufficient transparency and public accesses to information.

4.5.5 There is inadequate enforcement of regulations

Table 29: Showing whether there is inadequate enforcement of regulations

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	22	35.0	35.0	35.0
Agree	10	16.0	16.0	51.0
not sure	6	10.0	10.0	61.0
Disagree	14	22.0	22.0	83.0
strongly disagree	11	17.0	17.0	100.0
Total	63	100.0	100.0	

Source: primary data (2024)

Table 30 above indicates that the majority of the respondents 51% (35%, 16%) were positive to the statement that there is inadequate enforcement of regulations, 39% (22%, 17%) were negative to the same statement while 10% of the respondents were not sure. This is an indication that there is inadequate enforcement of regulations.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction.

In this chapter the researcher gives a summary of findings, conclusions and recommendation in line with the research questions and objectives.

5.1 Summary of findings.

The researcher provided a summary of findings in line with the objectives as follows;

5.1.1 Research Question one: Findings on the effect of risk assessment on accountability of public funds in Mbale city council.

The study investigated into the effect of risk assessment on accountability of public funds in Mbale city council. Results showed that most respondents were positive to the statements that were they were asked. For example; majority of respondents constituting 54% of the respondents were positive to the statement that effective risk assessment mechanisms help in identifying potential risks for example operational risks and vulnerabilities in the financial system; 62% were positive to the statement that risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management; 61% of the respondents were positive to the statement that risk assessment allows for the establishment of effective internal controls and monitoring mechanisms to track fund allocations and expenditures. The results indicates that risk assessment positively ($\text{Beta}=0.153$) predicts the financial of public funds in Mbale city council and effect is significant at $p\text{-value} < 0.05$.

On the other hand, 75% constituting the majority were negative to the statement that a well-designed risk assessment framework can improve governance practices within Mbale city council, leading to greater accountability, 54% were negative to the statement that risk assessment serves as a vital tool for ensuring transparency and accountability in the administration of public finances.

It can be concluded that risk assessment has a significant effect on of public funds in Mbale city council.

5.1.2 Research Question two: Findings on the effect of internal control environment on accountability of public funds in Mbale city council.

The study investigated into the effect of internal control environment on accountability of public funds in Mbale city council. Majority of the respondents 56% of the respondents were

positive to the statement that internal control mechanisms serve as the foundation for effectively managing and safeguarding public finances, 80% of the respondents were positive to the statement that internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations, it can be observed that 57% were positive to the statement that internal control mechanisms can lead to misappropriation of funds, financial mismanagement, and lack of transparency in public financial transactions, 51% were positive to the statement that inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies while 56% of the respondents forming the majority were negative to the statement that a robust internal control environment significantly enhances financial accountability by establishing mechanisms that deter, detect, and prevent financial irregularities in the public sector. The results showed that internal control environment on positively (Beta=0.224) predicts the accountability of public funds in Mbale city council and effect is significant at p-value < 0.05.

Basing on the above results, it can be concluded that internal control environment has a significant effect on accountability of public funds in Mbale city council.

5.1.3 Question three: Findings on the effect of auditor's independence on accountability of public funds in Mbale city council.

The findings revealed that 62% forming the majority of respondents were positive to the statement that undue influence or conflicts of interest like client relationship, auditor–client relationship, and non-Audit services can undermine the independence of auditors, leading to compromised accountability in the examination of public funds, 51% had a positive response to the statement that close relationships between external auditors and the entities they audit can erode independence, thereby weakening the effectiveness of financial oversight and accountability, 75% were positive to the statement that stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds, 68% had a positive response to the statement that lack of auditor independence can lead to compromised audits and hinder the ability to hold entities accountable for the allocation and utilization of public funds effectively. On the other hand, 60% forming the majority disagreed to the statement that high level of auditor independence fosters objectivity and impartiality in the assessment of financial statements. It was indicated that auditor's independence (Beta=0.091) predicts and affects their auditor's independence on accountability of public funds in Mbale city council. However, its effect is insignificant at p-

value > 0.05 . It can be concluded that auditor's independence has a significant effect on the auditor's independence on accountability of public funds in Mbale city council.

5.2 Conclusion

Basing on the research objective one which was to find out the effect of risk assessment on accountability of public funds in Mbale city council, it can be concluded that risk assessment has a significant effect on of public funds in Mbale city council and can be enhanced by implementing a robust internal control system that includes regular audits, continuous monitoring, and real-time reporting of financial transactions. Integrating advanced data analytics and risk management tools can help identify potential areas of fraud, mismanagement, or inefficiencies early. Additionally, training government staff in risk management practices and promoting a culture of transparency and ethical behavior can strengthen oversight. Engaging external auditors and fostering stakeholder involvement in financial reviews also ensure greater accountability and trust in the use of public funds.

With reference to the research objective two which was to analyze the effect of internal control environment on accountability of public funds in Mbale city council. It can be concluded that internal control environment has a significant effect on accountability of public funds in Mbale city council and can be enhanced by establishing clear policies and procedures that define roles, responsibilities, and processes for financial management. Regular staff training on these protocols is crucial to ensure understanding and compliance. Implementing a segregation of duties minimizes the risk of fraud or errors by requiring multiple approvals for financial transactions. Continuous monitoring and periodic internal audits help to identify and address weaknesses in the system. Fostering a culture of ethical behavior and accountability through leadership commitment and regular communication reinforces the importance of integrity in managing public funds. Additionally, utilizing technology for real-time tracking and reporting can provide transparency and improve the efficiency of internal controls.

With allusion to the third objective which was to assess the effect of auditor's independence on accountability of public funds in Mbale city council, it can be concluded that auditor's independence has a significant effect on the auditor's independence on accountability of public funds in Mbale city council. This can be enhanced by establishing and enforcing strict guidelines that prevent conflicts of interest, such as prohibiting auditors from having financial or personal ties to the entities they audit. Ensuring that auditors are appointed by an

independent body, rather than the entity being audited, also helps maintain objectivity. Providing auditors with sufficient legal protections and support to carry out their work without fear of retribution encourages unbiased reporting. Regular rotation of audit firms or audit partners can prevent the development of close relationships that could compromise independence. Additionally, fostering a culture of transparency and ethical behavior within auditing practices and ensuring auditors have access to all necessary information further strengthens their ability to objectively assess the use of public funds.

5.3 Recommendations

There is need to implement a robust internal control system that includes regular audits, continuous monitoring, and real-time reporting of financial transactions. Integrating advanced data analytics and risk management tools can help identify potential areas of fraud, mismanagement, or inefficiencies early. Additionally, training government staff in risk management practices and promoting a culture of transparency and ethical behavior can strengthen oversight. Engaging external auditors and fostering stakeholder involvement in financial reviews also ensure greater accountability and trust in the use of public funds.

There is need to establishing clear policies and procedures that define roles, responsibilities, and processes for financial management. Regular staff training on these protocols is crucial to ensure understanding and compliance. Implementing a segregation of duties minimizes the risk of fraud or errors by requiring multiple approvals for financial transactions. Continuous monitoring and periodic internal audits help to identify and address weaknesses in the system. Fostering a culture of ethical behavior and accountability through leadership commitment and regular communication reinforces the importance of integrity in managing public funds. Additionally, utilizing technology for real-time tracking and reporting can provide transparency and improve the efficiency of internal controls.

There is need for the government to establish and enforce strict guidelines that prevent conflicts of interest, such as prohibiting auditors from having financial or personal ties to the entities they audit. Ensuring that auditors are appointed by an independent body, rather than the entity being audited, also helps maintain objectivity. Providing auditors with sufficient legal protections and support to carry out their work without fear of retribution encourages unbiased reporting. Regular rotation of audit firms or audit partners can prevent the development of close relationships that could compromise independence. Additionally, fostering a culture of transparency and ethical behavior within auditing practices and ensuring

auditors have access to all necessary information further strengthens their ability to objectively assess the use of public funds.

5.4 Areas of further research

Further research can be done on;

1. Effect of audit frequency on the accountability of public funds in government institutions?
2. Effect of external audit interventions influences the transparency and accountability of public funds?
3. Effect of auditor independence on the detection and prevention of mismanagement of public funds?
4. Effect of audit quality and financial accountability of public sector entities?
5. Effect of timely audit reporting on the accountability of public funds in local governments?
6. Effect of risk-based auditing approaches enhances the accountability of public funds?
7. Effect of stakeholder involvement in the audit process on the accountability of public funds?
8. Effect of audit findings and recommendations influence policy changes related to the management of public funds?

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear respondent;

I am Musingo Mary carrying out research on the topic “Auditing and accountability of public funds in Mbale city council.” as a partial fulfillment for the award of bachelors of business administration at Uganda Christian University .The questionnaire is designed to help me collect relevant information and therefore I kindly request you to participate in responding to the questions that will be asked .However the information given will be treated confidential and will only be used for academic purpose.

SECTION 1: DEMOGRAPHIC DATA

(Tick in the box provided)

1. Gender distribution of the respondent

a) Male b) Female

2. Marital status of the respondent

a) Single b) Married Divorced Widowed

3. Age bracket of the respondent (years)

a) 20-30 b) 31-40 c) 41-50 C) 60 and above

4. Academic qualification of respondent

a) Secondary b) Certificate c) Diploma d) Bachelors' e) Masters

5. Years of working by the respondents.

a) Less than 1 year b) 1-2 years c) 3 years and above

Section A: To assess the effect of risk assessment on accountability of public funds in Mbale city council. This section aims at assessing the effect of risk assessment on accountability of public funds in Mbale city council. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= agree, 2= strongly agree; 3= not sure; 4= disagree; 5= strongly disagree.**

No		1	2	3	4	5
1	Effective risk assessment mechanisms help in identifying potential risks for example operational risks and vulnerabilities in the financial system					
2	A well-designed risk assessment framework can improve governance practices within Mbale city council, leading to greater accountability.					
3	Risk assessment serves as a vital tool for ensuring transparency and accountability in the administration of public finances					
4	Risk assessment helps in evaluating the likelihood and impact of various risks associated with public fund management					
5	Risk assessment allows for the establishment of effective internal controls and monitoring mechanisms to track fund allocations and expenditures					
6	There is lack of expertise and resources in Mbale city council to conduct comprehensive risk assessments, leading to gaps in identifying and addressing financial risks.					

Section B: To analyze the effect of internal control environment on accountability of public funds in Mbale city council

This section aims at analyzing the effect of internal control environment on accountability of public funds in Mbale city council. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= agree, 2= strongly agree; 3= not sure; 4= disagree; 5= strongly disagree.**

No		1	2	3	4	5
1	Internal control mechanisms serve as the foundation for effectively managing and safeguarding public finances					
2	Internal controls not only help in preventing financial irregularities but also create a conducive environment for promoting ethical behavior and compliance with regulations					
3	A robust internal control environment significantly enhances financial accountability by establishing mechanisms that deter, detect, and prevent financial irregularities in the public sector					
4	Internal control mechanisms can lead to misappropriation of funds, financial mismanagement, and lack of transparency in public financial transactions.					
5	Inadequate internal controls contribute to the misallocation of public funds and increase the likelihood of financial misconduct within government agencies.					

Section C: To assess the effect of auditor's independence on accountability of public funds in Mbale city council. This section aims at assessing the effect of auditor's independence on accountability of public funds in Mbale city council

. Please indicate your opinion on the following statements using the Linkert scale. Key: 1= agree, 2= strongly agree; 3= not sure; 4= disagree; 5= strongly disagree.

No		1	2	3	4	5
1	High level of auditor independence fosters objectivity and impartiality in the assessment of financial statements					
2	Undue influence or conflicts of interest like client relationship ,auditor –client relationship ,non-Audit services can undermine the independence of auditors, leading to compromised accountability in the examination of public funds.					
3	Close relationships between external auditors and the entities they audit can erode independence, thereby weakening the effectiveness of financial oversight and accountability					
4	Stronger auditor independence regulations and enforcement mechanisms lead to greater accountability in the use of public funds					
5	Lack of auditor independence can lead to compromised audits and hinder the ability to hold entities accountable for the allocation and utilization of public funds effectively					

Section D: Accountability of public funds

This section aims at establishing the indicators of accountability of public funds in Mbale city council. Please indicate your opinion on the following statements using the Linkert scale.

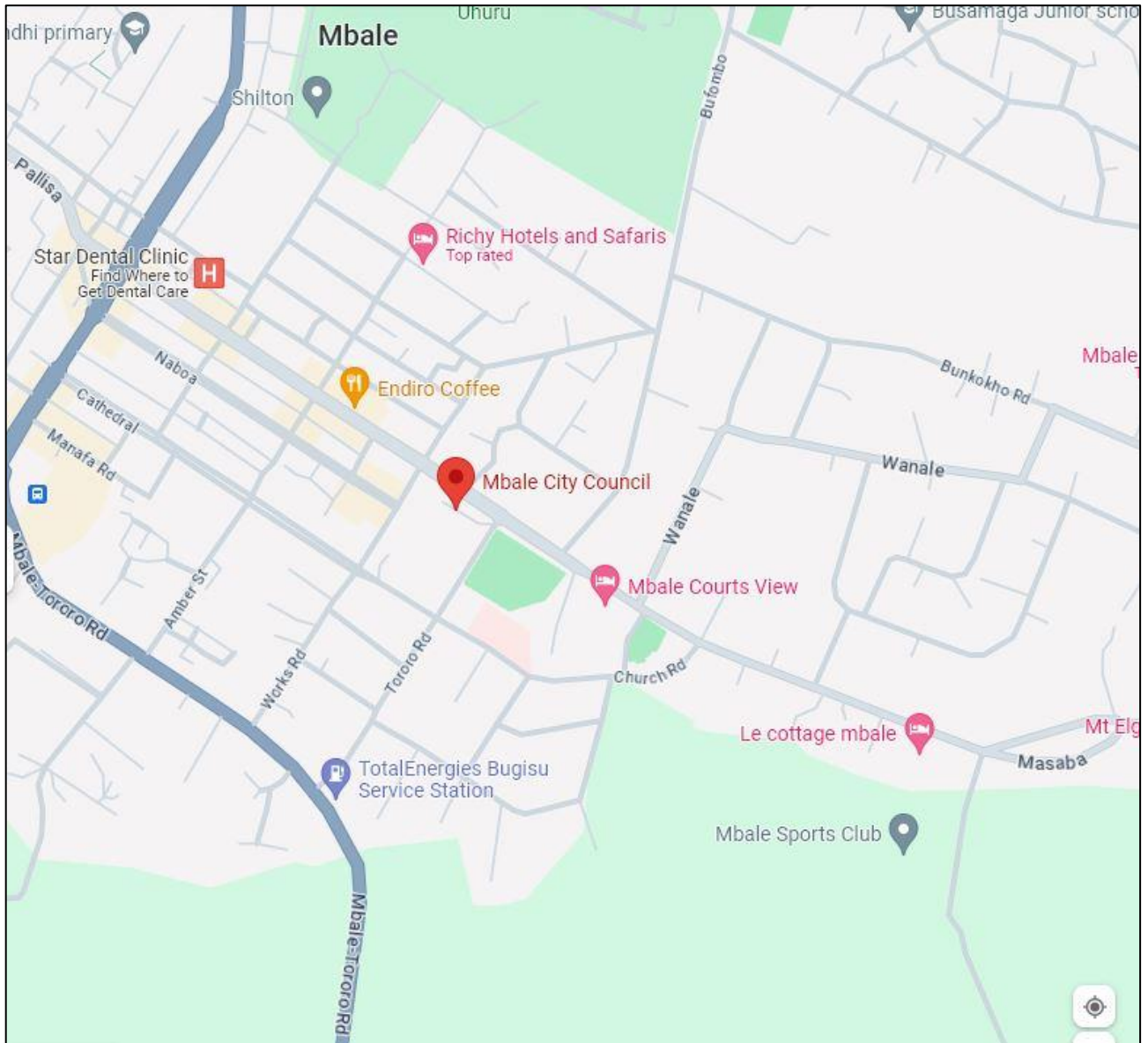
Key: strongly agree=1, Agree=2, Neutral=3, Disagree=4, strongly disagree=5

No	Statements	1	2	3	4	5
1	Clear reporting mechanisms and oversight structures help hold public officials accountable for their financial decisions.					
2	There are robust laws and regulations to deter corruption and ensure fiscal responsibility.					
3	Transparency, coupled with timely and accurate disclosure of financial information, can empower citizens to scrutinize governmental spending and hold public officials accountable for their actions.					
4	There is insufficient transparency and public accesses to information					
5	There is inadequate enforcement of regulations					

APPENDIX II: INTERVIEW GUIDE

1. Can you describe the process of risk assessment in relation to handling public funds in your organization?
2. How does the identification of risks impact the accountability of public funds within your organization?
3. In what ways do you believe risk assessment contributes to transparency and accountability in the management of public funds?
4. How would you describe the internal control environment in your organization concerning the management of public funds?
5. In your opinion, how does a strong internal control environment enhance accountability in the handling of public funds?
6. What specific internal control measures are in place to ensure the proper management and accountability of public funds?
7. How would you define the concept of auditor independence in the context of auditing public funds?
8. In what ways does the independence of auditors influence the accountability of public funds?
9. What measures are in place to ensure that auditors maintain their independence while auditing public funds?
10. Can you describe a situation where the independence of auditors significantly contributed to improving the accountability of public funds?

MAP SHOWING MBALE CITY COUNCIL





UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.

A Centre of Excellence in the Heart of Africa

BUSINESS DEPARTMENT

To TOWN CLERK
MBALE CITY

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss MUSINGO MARY
Of Registration Number; WS21/MUC/BBA/027 pursuing a Masters'
Degree/Postgraduate Diploma / Bachelor's Degree
BUSINESS ADMINISTRATION


He/ she is required to carry out an academic research on the topic
AUDITING AND ACCOUNTABILITY OF PUBLIC FUNDS IN MBALE CITY COUNCIL, UGANDA.

and thereafter produce a well bound hard cover research report (**MAROON**) in color for undergraduate and three (**BLACK**) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.

Thank you.

Yours faithfully,


.....
HEAD OF DEPARTMENT BUSINESS UCU-MUC
Henry Omache Ogachi

