

**AUDIT PLANNING AND PERFORMANCE OF LOCAL GOVERNMENTS IN
UGANDA: A CASE STUDY OF MBALE CITY COUNCIL**

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**UGANDA CHRISTIAN
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DECLARATION

I Okumu Benard Anselm declare that the content of this research report is my original work and to the best of my knowledge this work has never been submitted anywhere for any award. It is done through my own efforts.

Signature: 

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APPROVAL

I certify that this is original research report drawn by OKUMU BENARD ANSELM has been under my supervision and is now ready for submission to the department of business of Uganda Christian University.

Signature: 

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(SUPERVISOR)

Date: 

DEDICATION

This research report is dedicated to my dearest parents Okanyang Michael and Abbo Harriet for their support throughout my academics in terms of financial, encouragement and guidance.

I also dedicate it to my supervisor CPA Chris Masakala for his tireless efforts towards this course.

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ABSTRACT

The study on audit planning and performance within Mbale City Council local government in Uganda employed a quantitative research design, involving a population of 40 individuals, from which a sample of 36 respondents was selected using Solomon's formula (1960). The research aimed to investigate three specific objectives: the impact of audit strategy, audit risk, and audit checklists on the performance of the local government. Findings highlighted that audit strategy significantly influences the overall performance of Mbale City Council by aligning organizational activities with strategic goals, thereby enhancing operational efficiency and accountability. Additionally, the study revealed that managing audit risks is pivotal for maintaining optimal performance levels; identifying and mitigating risks through structured audit processes enables the council to better navigate challenges and improve service delivery. The importance of audit checklists in enhancing performance outcomes was also emphasized, as comprehensive checklists ensure systematic review and address all critical audit tasks, promoting consistency and thoroughness. The study's recommendations advocate for the adoption of tailored audit strategies aligned with Mbale City Council's specific objectives and operational contexts, and the integration of robust risk assessment frameworks into audit planning to proactively manage potential performance obstacles. In conclusion, the study underscores the significance of effective audit management practices in local government settings like Mbale City Council, suggesting that implementing these recommendations can optimize performance, enhance service delivery, and foster greater accountability and transparency in operations. These findings contribute to the broader understanding of audit planning's role in improving organizational performance within public sector entities.

LIST OF ABBREVIATIONS

ASB	:	Accounting Standards Board
CVI	:	Content Validity Index
GAAP	:	Generally Accepted Accounting Principles
GAAS	:	generally accepted auditing standards
IASC	:	International Accounting Standards Committee
MCC	:	Mbale City Council
SPSS	:	Statistical Package for Social Sciences
UAE	:	United Arab Emirates
UCU	:	Uganda Christian University

CHAPTER ONE

INTRODUCTION

1.0 Introduction

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

1.1 Background of the Study

This will consist of historical background, theoretical background, conceptual background and contextual background.

1.1.1 Historical background

Schelluch, P. (2020) articulated that the term audit is derived from the Latin term ‘audire,’ which means to hear. In early days an auditor used to listen to the accounts read over by an accountant in order to check them Auditing is as old as accounting. It was in use in all ancient countries such as Mesopotamia, Greece, Egypt, Rome, U.K. and India. The Vedas contain reference to accounts and auditing. Kautilya detailed rules for accounting and auditing of public finances in his book “Arthasashthra”. The original objective of auditing was to detect and prevent errors and frauds. Auditing evolved and grew rapidly after the industrial revolution in the 18th century with the growth of the joint stock companies where the ownership and management became separate.

Audit planning and the subsequent performance evaluation of local governments in Uganda have been pivotal components in ensuring accountability and effective resource management within the public sector. According to Armstrong (2019), audits serve as fundamental mechanisms for assessing the financial integrity and operational efficiency of local government entities. Over the years, scholars such as Paul (2020) have extensively examined the historical evolution of Uganda's local governance systems, tracing the trajectory of decentralization efforts and the establishment of various administrative structures at the grassroots level.

He states that these reforms have aimed to empower local authorities with greater autonomy and responsibility in delivering services to their communities. However, amidst these transformations, concerns regarding the effectiveness of audit processes in local governments have emerged. Scholars like Armstrong (2021) highlight the need for robust audit planning mechanisms to address these concerns effectively. They argue that comprehensive audit planning facilitates the identification of key risk areas, ensuring that audits are targeted and focused on areas of greatest significance.

Furthermore, the performance of local governments in Uganda has been a subject of scrutiny and analysis in recent years. As noted by Paul (2022), the evaluation of local government performance requires a multifaceted approach, considering factors such as service delivery, financial management, and governance practices. Effective audit planning plays a crucial role in this evaluation process, as it enables auditors to assess the extent to which local governments adhere to established standards and regulations.

Abdel-Qader, W. (2017) opined that the objective of audit shifted and audit was expected to ascertain whether the accounts were true and fair rather than detection of errors and frauds. In India the Companies Act, 1913 made audit of company accounts compulsory. With the increase in the size of the companies and the volume of transactions, the main objective of audit shifted to ascertaining whether the accounts were true and fair rather than true and correct. Hence, the emphasis was not on arithmetical accuracy but on a fair representation of the financial efforts. The Companies Act, 1913 also prescribed for the first time the qualification of auditors. The International Accounting Standards Committee (IASC) and the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India have developed standard accounting and auditing practices to guide the accountants and auditors in the day-to-day work.

Simon, J. & Hatherly, D. (2019) denoted that generally, the early historical development of auditing is not well documented (Lee, 1994). Auditing in the form of ancient checking activities was found in the ancient civilizations of China (Lee, 1986), Egypt and Greece (Boyd, 1905). The ancient checking activities found in Greece (around 350 B.C.) appear to be closest to the present-day auditing. Anyone against whom they prove embezzlement is convicted and fined by the court ten times the sum discovered stolen. Anyone whom the court on [their].... evidence convicts of corruption is also fined ten times the amount of bribe. If he is found guilty of administrative error,

they assess the sum involved, and he is fined that amount provided in this case that he pays it within nine months; otherwise, the fine is doubled. Similar kinds of checking activities were also found in the ancient Exchequer of England. When the Exchequer was established in England during the reign of Henry 1(1100- 1135), special audit officers were appointed to make sure that the state revenue and expenditure transactions were properly accounted for (Gul et al., 1994). The person who was responsible for the examinations of accounts was known as the “auditor”. The aim of such examination was to prevent fraudulent actions (Simon, J. & Hatherly, D. 2019).

Brown, R.G. (2018) stressed that the existence of checking activities was found in the Italian City States, to help the merchants to verify the riches brought by captains of sailing-ships returning from the Old World and bound for the European Continent. Again, auditing in this period was concerned about detection of fraud. The audit found in the City of Pisa in 1394 was somehow similar to those found in the Italian City State. It was meant to test the accounts of government officials to determine whether or not defalcation had taken place (Brown, R.G. 2018).

According to Porter, (2015), auditing had little commercial application prior to the industrial revolution. This is because industries during this period were mainly concerned with cottages and small mills which were individually owned and managed. Hence, there was no need for the business managers to report to owners on their management of resources. As a result, there is little use of auditing. In a nutshell, during the period of pre-1840, the auditing at the time was restricted to performing detailed verification of every transaction. The concept of testing or sampling was not part of the auditing procedure. The existence of internal control is also unknown (Abdel-Qader, W. 2017).

Hatherly, D. (2021) opined that the practice of auditing did not become firmly established until the advent of the industrial revolution during the period 1840s-1920s in the UK (Gill & Cossarat, 1996). According to Brown (1962), the large-scale operations that resulted from the industrial revolutions drove the corporate form of enterprise to the foreground. Large factories and machine-based production were established (Abdel-Qader, 2002). As a result, a vast amount of capital is needed to facilitate this huge amount of capital expenditure. The emergence of a “middle class” during the industrial revolution period provided the funds for the establishment of large industrial and commercial undertakings. Due to unregulated and highly speculative share market, the rate of financial failure was high and liability was not limited. Innocent investors were liable for the debts

of the business. In view of this environment, it was apparent that the growing number of small investors was in dire need of protection (Porter et al, 2005). Hence, the time was ripe for the profession of auditing to emerge (Hatherly, D. 2021).

Cosserat. G. & Gill. G. (2016) alluded that in response to the socio-developments in the UK during this period, the Joint Stock Companies Act was passed in 1844. The Joint Stock Companies Act stipulated that “Directors shall cause the Books of the Company to be balanced and a full and fair Balance Sheet to be made up”. In addition, the Act provided the appointment of auditors to check the accounts of the company. However, the annual presentation of the balance sheet to the shareholders and the requirement of a statutory audit were only made compulsory in 1900 under the Companies Act, 1862 (UK) (Leung et al., 2007). According to Porter, (2005) the accountant particularly in the early years of this period, was normally the company manager and his duties were to ensure proper use of the funds entrusted to him. The auditors during this period were merely shareholders chosen by their fellow members. Brown (1962) claimed that the auditors during this period were required to perform complete checking of transactions and the preparation of correct accounts and financial statements. Little attention was paid to internal control of the company (Cosserat. G. & Gill. G. 2016).

Powel, D. (2018) acknowledges that the duties of auditors during this period were influenced by the decisions of the courts. For example, the verdicts from the case of London and General Bank (1985) and Kingston Cotton Mill (1896) reinforced that the audit objective was detection of fraud and errors. These cases in turn established the general standard of work expected of auditors (Powel, D. 2018).

Burton, J.C (2018) asserts that the growth of the US economy in the 1920s-1960s had caused a shift of auditing development from the UK to the USA. In the years of recovery following the 1929 Wall Street Crash and ensuing depression, investment in business entities grew rapidly. Meanwhile, the advancement of the securities markets and credit-granting institutions had also facilitated the development of the capital market in this period. As companies grew in size, the separation of the ownership and management functions became more evident. Hence to ensure that funds continued to flow from investors to companies, and the financial markets function smoothly, there is a need to convince the participants in the financial markets that the company’s financial

statement provided a true and fair portrayal of the relevant company's financial position and performance (Burton, J.C 2018).

Queenan, J. (2016) intimated that in view of the economic condition, the audit function was mainly to provide credibility to the financial statements prepared by company managers for their shareholders. Consensus was generally achieved that the primary objective of an audit function is adding credibility to the financial statements rather than on the detection of fraud and errors. Primary responsibility for the control and discovery of irregularities necessarily lies with management.” (1940). Hence, it can be witnessed that the shift of the focus of an audit function from preventing and detecting fraud and error towards assessing the truth and fairness of the companies' financial statements began at this period (Queenan, J. 2016).

McDonald (2020) affirmed the benefits of more effective audits include improving the reliability of financial statements, enhancing the credibility of investors' confidence in those financial statements, improving management decision making, lowering entities' cost of capital, and increasing the effectiveness of capital markets in allocating resources (Panel on Audit Effectiveness, 2000). Skills to situations that may involve legal implications, Forensic audits may be required in the instances of fraud investigations involving misappropriation of funds, money laundering, tax evasion and insider trading, and quantification of loss in case of insurance claims (Sluiter, L. 2019).

Fairfield, P. (2023) stresses that the fundamental principles of auditing during this period were influenced by some major auditing the verdict of this case had resulted in the emphasis of physical observation of assets such as cash and stock, and the use of external evidence. In addition, the Royal Mail case highlighted the need of audit for the profit and loss statements. However, the audit of profit and loss account was only made mandatory with the enactment of Securities and Exchange Commission Act, 1934 in the USA and Companies Act 1948 in the UK.

Cosserat. G. & Gill. G. (2014), the social-economic condition in the period had highly influenced the development of auditing. As highlighted by Porter, (2005) the major characteristics of the audit approach during this period, among others, included: reliance on internal control of the company and sampling techniques were used; audit evidence was gathered through both internal and external source; emphasis on the truth and fairness of financial statements; gradually shifted

Volume to the audit of Profit and Loss Statement but Balance Sheet remained important; and physical observation of external and other evidences, outside the books of account.

Johnson, R. & Kell, W. (2016) denoted that the world economy continued to grow in the 1960s-1990s. This period marked an important development in technological advancement and the size and complexity of the companies. Auditors in the 1970s played an important role in enhancing the credibility of financial information and furthering the operations of an effective capital market (Porter et al., 2005). Thus, the role of Auditors among others, were to affirm the truthfulness of financial statements and to ensure that financial statements were fairly presented. In the earlier part of this period, a change in audit approach can be observed from “verifying transaction in the books” to “relying on system”. It is due to the increase in the number of transactions which resulted from the continued growth in the size of companies, where it is unlikely for auditors to verify all transactions. Auditors in this period had placed much higher reliance on companies’ internal control in their audit procedures. Furthermore, auditors were required to ascertain and document the accounting system with particular consideration to information flows and identification of internal controls. When internal control of the company was effective, auditors reduced the level of detailed substance testing (Johnson, R. & Kell, W. 2016).

Steinbart, P.J. (2021) postulated that in the early 1980 there was a readjustment in auditors approaches where the assessment of internal control systems was found to be an expensive process and so auditors began to cut back their systems work and make greater use of analytical procedures (Salehi, 2007). An extension of this was the development during the mid-1980s of risk-based auditing. Risk-based auditing is an audit approach where an auditor will focus on those areas which are more likely to contain errors. For this the auditors are required to gain a thorough understanding of clients’ organization, key personnel, policies, and their industries (Porter et al., 2005). Thus, it had placed strong emphasis on examining audit evidence derived from a wide variety of sources, i.e., both internal and external information for the audit client. Here, most of the companies used computer systems to process their financial and other data, and to perform, monitor and control many of their operational and administrative processes. Similarly, auditors placed heavy reliance on the advanced computing auditing tools to facilitate their audit procedures. In addition, the auditors at the same time were providing advisory services to the audit clients. Accounting and auditing during this period have become an industry with strong competition among firms. Thus,

the role of Auditors in provision of advisory services emerged as a secondary audit objective in the period of 1960s-1990s (Steinbart, P.J. 2021).

Cadbury (2018) denoted that the auditing profession witnessed substantial and rapid change since 1990s as a result of the accelerating growth at the world economies. It can be observed that auditing in the present day has expanded beyond the basic financial statement attest function. According to Porter I (2005), present-day auditing has developed into new processes that build on a business risk perspective of their clients. The business risk approach rests on the notion that a broad range of the client's business risks are relevant to the audit. It is opined that many business risks, if not controlled, will eventually affect the financial statements (Cadbury 2018).

Cooper, M. (2015) affirmed that by understanding the full range of risks in businesses, the auditor was in a better position to identify matters of significance and relevance to the audit profession on a timely basis. Since the early 1990s, the audit profession began to take increased responsibility to detect and report fraud and to assess, and report more explicitly, doubts about an auditor's ability to continue in conformance with society's and regulators' increasing concern about corporate governance matters. Adoption of the business risk approach in turn enhances auditor's ability to fulfill these responsibilities (Cooper, M. 2015).

1.1.2 Theoretical background

Principal-agent theory

One theory for audit planning and performance of local governments is the "principal-agent theory." According to this theory, local governments are represented as the principals who delegate authority to auditors who act as their agents. The principal-agent theory suggests that this relationship between the principal (local government) and the agent (auditors) may create conflicts of interest and informational asymmetry.

According to Sharma, R., Lawrence, S., & Pandey, P. (2014), the theory argues that local governments may face challenges in monitoring and controlling the actions of auditors due to the asymmetry of information. Auditors have more knowledge and expertise in the field of auditing, while local governments may lack the same level of understanding. This information asymmetry can lead to a lack of transparency and accountability in the audit planning and performance process.

To address this issue, the principal-agent theory proposes several mechanisms to align the interests of auditors with those of local governments. These mechanisms include: Contractual agreements: Local governments can establish clear contractual agreements with auditors, outlining the scope of the audit, the responsibilities of the auditors, and the expected deliverables. This helps to ensure that auditors are aligned with the goals and objectives of the local government. Performance-based incentives: Local governments can provide auditors with incentives based on their performance in conducting audits. This encourages auditors to carry out their duties effectively and efficiently. Monitoring and oversight: Local governments can establish mechanisms for monitoring and overseeing the activities of auditors. This can include regular progress reports, on-site inspections, and reviews of audit reports. These measures help to ensure that auditors are conducting audits in accordance with established standards and guidelines (Sharma, R., Lawrence, S., & Pandey, P. 2014).

Overall, the principal-agent theory emphasizes the need for transparency, accountability, and effective control mechanisms in the audit planning and performance of local governments. By aligning the interests of auditors with those of local governments, the theory aims to enhance the quality and effectiveness of the audit process.

1.1.3 Conceptual background

Leadership and Governance

Effective leadership and good governance practices are crucial for the performance of local governments. This includes factors such as political stability, transparency, accountability, and participation of citizens in decision-making processes (World Bank, 2012).

Financial Management

Adequate financial management and resource allocation play a vital role in the performance of local governments. Factors such as revenue generation, budgeting, expenditure control, and debt management can impact their effectiveness (Junaidi & Mardiasmo, 2019).

Human Resources

Having capable and motivated staff within local governments is essential for efficient service delivery. Factors such as recruitment, training, performance evaluation, and retention of qualified personnel contribute to their overall performance (Oi, 2010).

Service Quality and Citizen Satisfaction

The ability of local governments to provide high-quality services that meet the needs and expectations of citizens is crucial. Factors such as responsiveness, accessibility, reliability, and accountability in service delivery influence citizens' satisfaction (Longo, Mura, & Sicilia, 2014).

Financial performance

Financial performance directly impacts service delivery within local governments. A study by Kida (2020) on the relationship between financial management and service delivery in Indonesian local governments revealed that effective financial practices positively influence the delivery of key public services. Good financial performance, facilitated by robust audit planning and performance, ensures the availability of sufficient funds, efficient utilization of resources, and effective allocation of budgets towards service provision (Fazia & El-Markous, 2017).

Audit planning

Thompson, R. L., & Green, M. J. (2016) contends that audit planning refers to the process of creating a roadmap or a comprehensive plan for conducting an audit. It involves determining the scope, objectives, methodology, and resources required for the audit engagement. The main purpose of audit planning is to ensure that the audit is conducted efficiently and effectively.

Audit strategy

Harris, M. (2014) stresses that an audit strategy is a high-level plan that outlines the overall approach and direction for conducting an audit, it sets out the framework for performing audit procedures and achieving the audit objectives. The audit strategy is developed based on the auditor's understanding of the entity's business and control environment, as well as the assessment of audit risks. The audit strategy includes determining the scope and extent of the audit, identifying the key areas and significant accounts to be audited, and deciding on the timing and resources required for the audit engagement. It also defines the level of testing and the procedures to be performed to obtain sufficient and appropriate audit evidence.

Audit risk

Reed, S. L., & Nelson, A. L. (2006) opined that audit risk refers to the risk that an auditor expresses an inappropriate opinion on the financial statements. It is the possibility that the auditor may either

fail to detect material misstatements or provide an incorrect opinion when the financial statements are, in fact, materially misstated. Audit risk is inherent in the audit process due to the nature of sampling and the reliance on management representations. Audit risk is assessed by considering three interrelated components: inherent risk, control risk, and detection risk. Inherent risk is the susceptibility of financial statements to material misstatements, control risk is the risk that internal controls will not prevent or detect such misstatements, and detection risk is the risk that the auditor's procedures will not identify material misstatements.

Audit checklist

Reed, S. L., & Nelson, A. L. (2006) intimated that an audit checklist is a tool used by auditors to ensure that all necessary steps and procedures are followed during the audit. It is a systematic list of tasks or questions that the auditor refers to while conducting the audit. The checklist helps the auditor to stay organized and thorough in their audit procedures. It includes items such as reviewing financial statements, assessing internal controls, testing account balances, evaluating management representations, and verifying compliance with laws and regulations.

1.1.4 Contextual background

The origin of Mbale City Council can be traced back to the early 20th century when Mbale was just a small town in Eastern Uganda. As the colonial rule took hold in Uganda, Mbale began to grow in importance due to its strategic location as a trading hub. In 1921, Mbale was officially designated as a township under the British colonial administration. The township was initially governed by a local council, which was composed of appointed officials. However, as Mbale continued to expand and its population grew, there was a growing need for a more formal and structured governing body.

In 1953, Mbale was upgraded to the status of a municipal council, with elected representatives. This marked an important milestone in the town's governance, as it allowed for more democratic decision-making and representation of the local population. Over the years, Mbale continued to develop and evolve, with an increasing number of services and infrastructure being established to support its growing population. In 2020, Mbale was elevated to the status of a city, recognizing its status as a major urban center in Eastern Uganda.

Today, Mbale City Council is responsible for managing the affairs of the city, including services such as sanitation, health, education, and infrastructure development. The council is composed of elected councilors who represent various divisions and elect a mayor to lead the council. Mbale City Council plays a crucial role in promoting the social and economic development of the city, ensuring the provision of basic services to its residents, and striving for the overall well-being and progress of Mbale as a thriving urban center.

1.2 Statement of the problem

Despite the existence of audit planning guidelines and regulations in Uganda, there continue to be gaps in the implementation of audit planning in local governments. This gap has resulted in poor performance and outcomes in the local government sector. The lack of proper audit planning has led to issues such as financial mismanagement, corruption, and inadequate service delivery. The effects of inadequate audit planning on the performance of local governments in Uganda are significant. Without proper audit planning, local governments may not have a clear understanding of their financial situation and may overspend in certain areas, leading to budget deficits. This can further cause delays in the implementation of projects or even their complete abandonment. (OAG Report on Local Authorities, 2011).

Additionally, inadequate audit planning can also lead to fraud and corruption within local governments. Without proper checks and balances, there may be opportunities for officials to exploit loopholes in financial management systems, which can lead to embezzlement of public funds. Furthermore, inadequate audit planning can also affect the quality-of-service delivery within local governments. If government officials do not have access to reliable financial information, it can be challenging to allocate resources effectively, leading to inadequate provision of essential services such as health care, education, and infrastructure and maintenance. The Office of the Auditor General of government (OAG, 2011) highlighted some unreliable financial reports and noted that, Shs.11,618,191,273 in respect of Higher LGs was unaccounted for administrative advances, incompletely vouched expenditure, un-vouched expenditure and doubtful expenditure remained outstanding yet an addition Shs.2,316,953,728 remained outstanding in 385 sampled Lower Local Governments.

Additionally, the Auditor General's report for the fiscal year 2019/2020 revealed inadequate audit planning within Mbale City Council and other local governments. This issue arises from a lack of comprehensive assessment and understanding of the risks associated with financial management and operations. Insufficient planning negatively impacts the audit process by limiting its effectiveness and efficiency. Additionally, it can lead to a failure to identify and address crucial areas of concern, thus compromising the overall governance and accountability of the local government. Therefore, there is a need to investigate further the impact of audit planning on the performance of local governments in Uganda and recommend strategies to improve the implementation of audit planning guidelines to enhance efficiency and accountability in the sector.

1.3 Purpose of the study

To examine audit planning and performance in local governments in Uganda

1.4 Specific objectives

- i. To determine the effect of audit strategy on performance of Mbale City council local government.
- ii. To assess the effect of audit risk on performance of Mbale City council local government.
- iii. To find out the effect of audit check list on performance of Mbale City council local government.

1.5 Research questions

- i. What is the effect of audit strategy on performance of local governments?
- ii. What is the effect of audit risk on performance of local governments?
- iii. What is the effect of audit check list on performance of local governments?

1.6 Scope of the study

1.6.1 Content scope

The study will focus on audit strategy, audit risk, audit checklist as independent variable and relevant leadership and governance, financial management, human resources, service quality and citizen satisfaction, institutional capacity and collaboration as dependent variables.

1.6.2 Time scope

The study was based on a four-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, Loss of trust in government institutions, low recruitment and employee retention, obsolete, inefficient processes and paper-based workflow.

1.6.3 Geographical scope

The research 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 study findings may have significant implications for various stakeholders involved in the audit planning and performance of local governments in Uganda:

Government Authorities and Policymakers: The study findings were instrumental for government authorities and policymakers in shaping policies and regulations related to audit planning and performance in local governments. By understanding the factors that influence audit effectiveness and the performance of local governments, policymakers can enact targeted reforms to improve governance, accountability, and service delivery. This may lead to the development of more robust frameworks and guidelines for audit planning, ultimately enhancing the overall efficiency and effectiveness of local government operations.

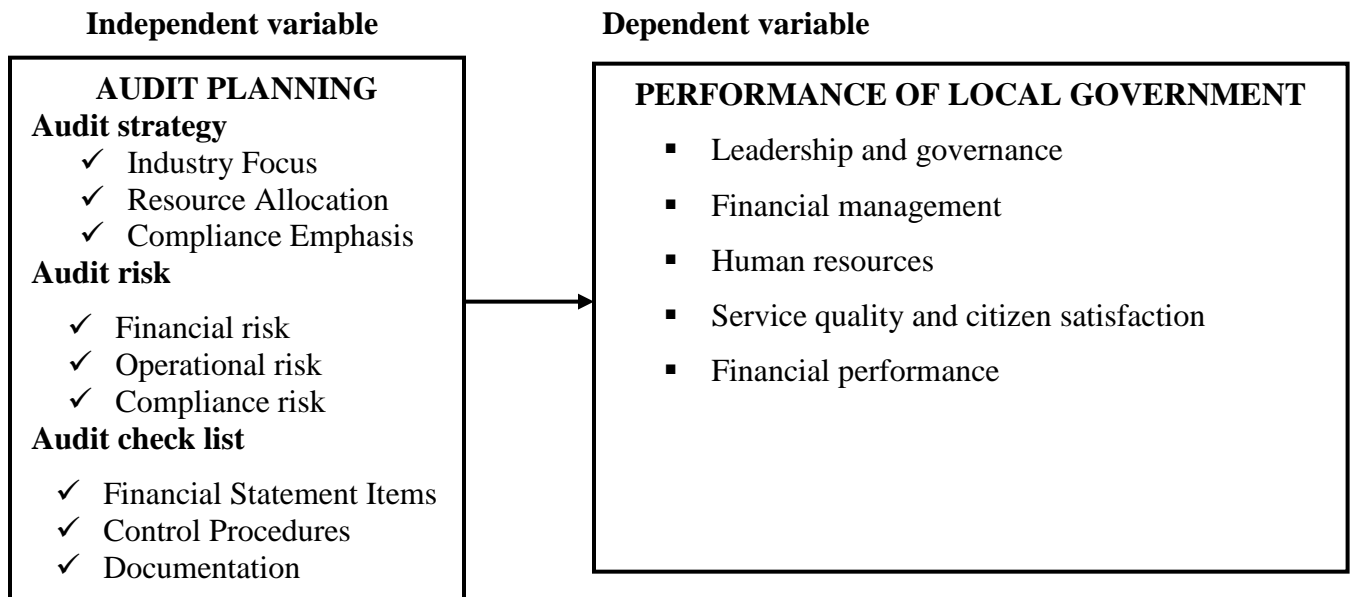
Auditing Bodies and Practitioners: Auditing bodies and practitioners benefited from the study findings as they provide valuable insights into best practices and challenges associated with audit planning and performance in the context of local governments. The findings may inform the development of standardized audit methodologies, tools, and training programs tailored specifically to the needs of auditors operating within the local government sector. This can

contribute to the professional development of auditors and enhance the quality and reliability of audit engagements, thereby promoting trust and confidence in audit reports.

Local Government Officials and Administrators: For local government officials and administrators, the study findings will offer actionable insights into areas of improvement and opportunities for enhancing governance and service delivery. By understanding the impact of audit planning on performance outcomes, local government officials can prioritize resource allocation, strengthen internal controls, and implement governance reforms aimed at addressing identified deficiencies. This may lead to more transparent, accountable, and responsive governance practices, resulting in improved service delivery and citizen satisfaction.

Civil Society Organizations and Citizens: Civil society organizations and citizens play a crucial role in promoting transparency, accountability, and good governance in local government operations. The study findings will empower civil society organizations and citizens with knowledge and evidence to advocate for reforms and hold local governments accountable for their performance. By raising awareness about the importance of effective audit planning and performance, civil society organizations and citizens can actively engage in monitoring and oversight activities, ensuring that local governments operate in the best interests of the public and allocate resources efficiently to meet community needs.

1.8 conceptual frame work



Source: Researcher’s conceptualization (2024)

The IVs (Independent Variables) in this context are components of audit planning, namely audit strategy, audit risk, and audit checklist. These elements are crucial in shaping the approach and execution of audits within the local government setting. The audit strategy, which encompasses industry focus, resource allocation, and compliance emphasis, directly influences the direction and scope of audits conducted. For instance, focusing on specific industries within the local government sector helps tailor audit procedures to address sector-specific risks and compliance requirements, while efficient resource allocation ensures adequate manpower and technology are dedicated to the audit process. Audit risk, involving assessment of financial, operational, and compliance risks, guides auditors in identifying areas of vulnerability within the local government's operations, thus directing audit efforts towards mitigating these risks. The audit checklist, comprising financial statement items, control procedures, and documentation requirements, provides a structured framework for auditors to systematically assess the performance of local government entities across various domains. In essence, the IVs of audit planning serve as the guiding principles and methodologies that shape the audit process, ultimately influencing the evaluation and understanding of the DVs (Dependent Variables), which represent the performance of local government entities. The DVs encompass leadership and governance, financial management, human resources, service quality, citizen satisfaction, and financial performance. Through the application of rigorous audit methodologies facilitated by the IVs, auditors can effectively evaluate the performance of local government entities across these domains, identifying strengths, weaknesses, and areas for improvement to enhance overall governance and service delivery to citizens. Thus, there exists a symbiotic relationship between the IVs of audit planning and the DVs representing the performance of local government, where the former informs the approach and methodology of audits, while the latter serves as the focal points for evaluation and improvement efforts.

1.9 Operations definition of Key terms used

Audit strategy; According to Armstrong (2020), "audit strategy" can be operationally defined as the comprehensive plan formulated by auditors to guide the execution of audit engagements. This strategy typically includes three key elements: industry focus, resource allocation, and compliance emphasis. "Industry focus" entails directing audit procedures towards specific sectors or industries to address sector-specific risks and regulatory requirements. "Resource allocation" involves the

efficient distribution of audit resources such as personnel and technology to ensure the effectiveness and efficiency of audit activities. Lastly, "compliance emphasis" refers to prioritizing adherence to relevant laws, regulations, and auditing standards throughout the audit process.

Audit planning; "audit risk" is defined according to Jameson (2021) as the likelihood that the auditor may express an inappropriate opinion on financial statements. This risk consists of three primary components: financial risk, operational risk, and compliance risk. "Financial risk" pertains to the susceptibility of financial statements to material misstatements, "operational risk" involves the risk that internal operational processes may not adequately prevent or detect such misstatements, and "compliance risk" refers to the potential failure to comply with relevant laws, regulations, and auditing standards.

Audit checklist is defined as a structured tool utilized by auditors to ensure the completeness and accuracy of audit procedures. As defined by Paul (2020), an audit checklist typically encompasses three main categories: financial statement items, control procedures, and documentation. "Financial statement items" include various components such as revenues, expenses, assets, and liabilities that must be thoroughly reviewed during the audit process. "Control procedures" involve evaluating the effectiveness of internal controls implemented by the audited entity to mitigate risks and ensure the reliability of financial reporting. Lastly, "documentation" refers to the systematic recording and retention of audit evidence and findings to support audit conclusions and recommendations.

1.10 Summary of the literature

This chapter provides an in-depth exploration of audit planning and its impact on the performance of local governments in Uganda. It delves into the historical, theoretical, conceptual, and contextual backgrounds of audit planning, highlighting its evolution and significance over time. The chapter outlines the statement of the problem, purpose, specific objectives, and research questions, shedding light on the gaps in audit planning implementation and their repercussions on local government performance. Furthermore, it delineates the scope and significance of the study, emphasizing the need to understand the relationship between audit planning and local government performance. The conceptual framework presented elucidates the interplay between audit planning components (audit strategy, audit risk, and audit checklist) and dependent variables representing

various facets of local government performance. Overall, this chapter sets the stage for a comprehensive examination of audit planning's role in enhancing governance, accountability, and service delivery within local governments.

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 of the study.

2.1 Effect of audit strategy on performance of local governments

Research carried out by Yusuf and Idris (2018) on the effect of Audit strategy on the performance of local governments; this study examined the impact of audit strategy on the performance of local governments in Nigeria and found that audit strategy significantly affects local government performance. The study recommended the adoption of risk-based audit processes, and the establishment of an independent committee to enhance the effectiveness of local government audits. The impact of audit strategy on the performance of local government units in the Philippines by Del Carmen, Torres, and Romos (2016); this study found that audit strategy significantly affects the performance of local government units in the Philippines. The study recommended the adoption of a comprehensive and integrated audit strategy that includes risk assessment, performance measurement, and capacity building to enhance local government performance (Arena, M. 2016).

A study carried out by Mwambe and Komba (2018) on effectiveness of Audit strategy on public sector performance, evidence from local government authorities in Tanzania. This study examined the effectiveness of audit strategy on the performance of local government authorities in Tanzania and found that audit strategy significantly affects local government performance. The study recommended the adoption of a risk-based audit strategy, the use of information technology in audit processes, and the establishment of an independent audit committee to enhance the effectiveness of local government audits. The studies suggest that audit strategy significantly affects the performance of local governments and the adoption of risk-based, performance-based, and comprehensive audit strategies as well as the use of information technology and establishment of independent audit committee can enhance the effectiveness of local government audits and improve local government performance (Reinikka, R. 2016).

The role of Audit strategy in enhancing local government performance in South Africa by Nkosi and Mafini (2019); This study examined the role of audit strategy in enhancing local government performance in South Africa and found that audit strategy significantly affects local government performance. The study recommended the adoption of a performance-based audit strategy, the use of information technology in audit processes, and the establishment of an independent audit committee to enhance the effectiveness of local government audits (Cronbach, L. J. 2020).

There are several studies that have investigated the effects of audit strategy on the performance of local governments. One such study by Tang et al. (2014) examined the relationship between different audit strategies and the performance of local governments in China. The study employed a survey of 548 local governments across the country and found that a comprehensive audit strategy, which includes financial, operational, and compliance audits, positively affected the performance of local governments by promoting better management practices and accountability (Barasa, K. S. 2015).

Another study by Wan et al. (2018) investigated the impact of different audit strategies on the financial performance of local governments in China. The study utilized a panel dataset of 231 local governments and found that a more comprehensive audit strategy, which included comprehensive, technical, and efficiency audits, had a positive impact on the financial performance of local governments. However, the study also found that there was a trade-off between the comprehensiveness of the audit strategy and its implementation efficiency.

In the United States, a study by Cordes and Sjoquist (2014) examined the impact of performance audits on the efficiency of local governments. The study utilized data from 100 counties in Georgia and found that performance audits had a positive impact on the efficiency of local governments, particularly in smaller counties. Performance audits were found to be most effective in improving the management of government resources and identifying ways to reduce costs. These studies suggest that audit strategy can have a significant impact on the performance of local governments. A more comprehensive audit strategy can promote better management practices, accountability, and financial performance, while performance audits can improve the efficiency and cost-effectiveness of local government operations (Tunku, Y. M. Z. 2017).

Studies show that audit strategy can have a significant impact on the performance of local governments. For example, Farag and Smith (2010) found that audit strategies that prioritize risk assessment and focus on value for money auditing led to better performance outcomes in local governments. This may be because these strategies encourage more efficient and effective use of resources, as well as greater transparency and accountability in financial management. In contrast, audit strategies that prioritize compliance and procedural auditing have been shown to have a limited impact on performance outcomes (Farrell et al., 2016). These strategies may prevent fraud and mismanagement, but do not necessarily promote improved efficiency or effectiveness in the use of resources (Tron et al., 2018).

Studies have found that the quality of audit implementation also plays a role in the effectiveness of audit strategy in promoting performance outcomes. For example, Safa and Mohammadi (2013) found that the independence and competence of auditors, as well as the quality of communication between auditors and local government officials, had a significant impact on the effectiveness of audit strategy. A study by Ionescu et al. (2020) found that audit quality positively affects the financial performance of local governments. The study suggests that the use of a risk-based audit strategy can improve audit quality and, in turn, enhance the financial performance of local governments (Fadzil, F. H. B. 2019).

A study by Kurniawan et al. (2020) found that a comprehensive audit scope positively affects the financial performance of local governments. The study suggests that auditors should adopt a broad audit scope to ensure that all key areas of the local government's operations are covered. A study by Xiaolan et al. (2019) found that early-stage audits positively affect the performance of local governments. The study suggests that auditors should conduct the audit process early enough to allow for any necessary corrective measures to be implemented. A study by Sodokhin et al. (2020) found that auditor independence positively affects the performance of local governments. The study suggests that auditors should ensure that they maintain their independence and avoid any conflict of interest.

Adams, M. B. (2018) intimated that one of the key factors that influence audit strategy is the level of risk associated with the audited entity. A higher level of risk typically requires more sophisticated audit techniques and a more thorough examination of internal controls. A study by Mombini and Boodhoo (2016) found that audit risk assessment significantly influences audit

strategy and has a positive impact on the performance of local governments. The study revealed a positive correlation between the quality of audit work and the financial performance of local governments. A study by Damulira et al. (2020) found that the use of computerized audit tools significantly improves the quality of audit work and contributes to better financial reporting by local governments. The study also found a positive correlation between the use of computerized audit tools and the financial performance of local governments.

Kiabel, (2012) affirmed that audit quality is another critical factor that affects the performance of local governments. A study by Deis et al. (2001) found that audit quality positively affects the financial performance of local governments. The study revealed a significant correlation between the quality of audit work and the accuracy of financial reporting by local governments. The authors noted that audit quality is a critical factor in achieving transparency and accountability in the use of public funds. A study by Dan, Mo and Zhang (2018) found that auditor independence contributes to the quality of audit work and positively affects the financial performance of local governments. The study revealed a positive correlation between auditor independence and the quality of financial reporting by local governments.

In conclusion, the audit strategy adopted can significantly impact the performance of local governments. Auditors should adopt a risk-based approach, a comprehensive audit scope, early-stage audits, and maintain their independence to improve the quality and effectiveness of the audit process. The findings of this literature review have implications for policymakers, auditors, local government administrators, and other stakeholders involved in the audit process. The literature on the effects of audit strategy on the performance of local governments suggests that a comprehensive and risk-based approach to auditing, the use of computerized audit tools, high audit quality, and auditor independence all contribute to better financial reporting and financial performance by local governments. These findings underscore the importance of effective auditing in promoting transparency, accountability, and good governance in the public sector.

2.2 Effect of audit risk on performance of local governments

A study by Abdallah et al. (2015) examined the effect of audit risks on the performance of local governments in the United Arab Emirates (UAE). The study showed that audit risks such as inadequate staff training, inadequate IT systems, and insufficient financial resources affect the

quality of financial reporting, which has a negative impact on the reputation of local governments. This, in turn, affects their ability to secure funding and support from stakeholders, hindering their overall performance. Research has found that audit risk has significant effects on the performance of local governments. One study conducted by Shah and Farooq (2015) found that audit risk affects the financial management practices of local governments. The study revealed that audit risk has a negative impact on the financial management practices of local governments. High audit risk leads to poor financial management practices, which in turn negatively affects the performance of local governments.

Furthermore, a study by Liu et al. (2020) investigated the effect of audit risks on the financial efficiency of local governments in China. The study found that audit risks such as inadequate financial transparency and accountability, weak internal control systems, and a lack of independence in audit committees negatively affect the financial efficiency of local governments. This is because inadequate financial transparency and accountability leads to mismanagement of resources, while weak internal control systems and a lack of independence in audit committees result in inconsistent use of resources and fraudulent activities.

Similarly, another study by Dima and Toma (2016) found that audit risk plays a significant role in the financial management of local governments in a developing country such as Romania. The study revealed that audit risk has a negative impact on the financial performance of local governments, which is predominantly due to a lack of financial management capacity and resources. Therefore, the authors suggested that enhancing the capacity of local governments in financial management can help mitigate the negative effects of audit risk on their performance. Moreover, research by Agyekum et al. (2020) found that audit risk has a significant impact on the financial reporting quality of local governments. The study revealed that high audit risk is associated with low-quality financial reporting, which can negatively impact the performance of local governments. Therefore, the authors suggested that improving financial reporting quality can help mitigate the negative effects of audit risk on the performance of local governments.

Some studies have also indicated that audit risks can have a positive impact on the performance of local governments. For example, Sunder (2012) argued that audit risks could stimulate local governments to improve their financial management practices, adopt new technologies, and implement better internal controls, all of which can ultimately lead to higher levels of performance.

Several studies have examined the relationship between audit risk and the performance of local governments. A study by Beck et al. (2006) found that high audit risk was positively correlated with the probability of financial distress in local governments. The authors suggested that high audit risk may indicate a higher likelihood of material misstatements or financial irregularities, which in turn could threaten the financial stability of a local government.

Another study by Brink and Ntim (2013) investigated the relationship between audit risk and financial performance in South African municipalities. They found that a higher level of audit risk was associated with lower financial performance, indicating that the risk of financial misstatements in municipal financial statements can have a negative impact on the financial health of local governments.

A study by Aureli and Mariani (2018) analyzed the effect of audit risk on the efficiency of local public services. They found that higher audit risk was negatively associated with service efficiency, suggesting that a lower level of audit risk can encourage local governments to improve the efficiency of their public services to avoid potential scrutiny in the audit process.

In addition, a study by Deng et al. (2020) investigated the impact of audit risk on budget control and financial reporting quality in Chinese local governments. The authors found that higher audit risk was positively associated with budgetary control effectiveness and financial reporting quality. They suggested that higher audit risk may promote better financial management and accountability in local governments.

Several studies have shown that audit risks have significant effects on the performance of local governments. For instance, a study by Njong and Amin (2017) found that audit risks negatively affect the performance of local governments in Cameroon. The study showed that audit risks such as inadequate financial resources, weak internal control systems, and inadequate human resources affect the quality of financial reporting, which subsequently affects the decision-making of stakeholders and the overall performance of local governments.

Several studies have examined the relationship between audit risks and local government performance. For instance, a study by Onumah and Gyimah (2015) examined the impact of audit risks on the quality of financial reporting by local governments in Ghana. The results of the study indicated a significant negative relationship between audit risks and the quality of financial

reporting. Audit risks can reduce public trust in the local government's ability to manage public resources. This can result in a decline in public confidence, which may negatively impact the government's ability to access financing and attract investment.

A study by Adkins and Lynch (2013) found that increased audit risks were associated with lower levels of public trust in local government officials. In contrast, a study by Al-Hawamdeh et al. (2019) found that a higher level of audit risk was associated with improved local government performance and the implementation of effective public policies. Audit risks can lead to increased litigation and liability for local governments. This can lead to costly legal battles, which may divert resources away from essential public services. Audit risks can impact the efficiency of local government operations as they require additional resources to address and mitigate such risks. This can limit the government's ability to implement effective programs and meet the needs of their constituents.

Several studies have indicated that high audit risks can lead to poor financial performance in local governments. Knechel and Salterio (2016) found that high audit risks could lead to a decrease in the credibility of financial statements, which can result in a decline in the quality of financial decision-making. Moreover, high audit risks can lead to reputational damage, loss of public trust, and a decline in financial stability, all of which can negatively impact the performance of local governments. Additionally, audit risks can affect the ability of local governments to attract investors and secure funding. According to Mihai and Prisacaru (2013), investors are more likely to invest in local governments that have a low level of audit risks, as this indicates a greater level of financial transparency and accountability.

Ndirangu et al. (2018) conducted a study on the impact of audit risk on quality of financial reports and performance of public entities in Kenya. The study found that the higher the audit risk, the lower the quality of financial reports and performance of public entities. This can be attributed to the fact that high audit risk increases the likelihood of errors and fraud being undetected, leading to inaccurate financial reports and poor performance.

Akinnaso (2018) explored the relationship between audit risk and budgetary management in local governments in Nigeria. The study found that a high audit risk leads to poor budgetary management practices in local governments due to the lack of financial transparency and

accountability. As a result, the performance of local governments is negatively affected by the inability to effectively manage their finances and meet their budgetary obligations.

Al-Yahya et al. (2016) conducted a study on the effects of audit risk on local government financial sustainability in Saudi Arabia. The study found that high audit risk leads to financial instability in local governments due to the risk of financial mismanagement and fraud. This can lead to reduced funding and investment opportunities, thereby negatively impacting the sustainability of local government operations.

Ogili and Kariuki (2018) conducted a study on the effects of audit risk on quality of transparency and accountability in local governments in Kenya. The study found that high audit risk leads to poor transparency and accountability practices, reducing the confidence of citizens and stakeholders in local government institutions. Consequently, this leads to reduced support for local government efforts and negatively affects their performance.

In summary, these studies highlight the significant impact of audit risks on the performance of local governments. Inadequate financial resources, weak internal control systems, insufficient human resources, inadequate staff training, inadequate IT systems, insufficient financial transparency and accountability, and a lack of independence in audit committees were identified as key audit risks affecting the performance of local governments. Therefore, it is crucial for local governments to implement effective internal control systems, invest in adequate financial and human resources, and ensure financial transparency and accountability to minimize audit risks and enhance their performance.

2.3 Effect of audit checklist on performance of local governments

Moreover, Bao and Stanny (2017) suggest that the use of audit checklists in local government audits can reduce audit risks and improve the quality of audit outcomes. The authors conducted a study on the impact of audit checklists on audit quality in South African local governments. The study found that the use of checklists improved the completeness, accuracy, and consistency of audit findings, leading to improved audit quality and better performance of local governments. Similarly, De Guzman (2016) argues that audit checklists can help local governments enhance their operations and financial management processes. The author conducted a study on the effects of audit checklists on the performance of local governments in the Philippines. The study found

that the use of audit checklists resulted in better compliance with audit standards, improved financial management processes, and enhanced service delivery.

Alzeban et al. (2017), investigated the impact of using audit checklists on auditor performance and standardization in the public sector. The results showed that the use of audit checklists improved auditor performance and increased standardization in audit processes, leading to better quality financial reporting. The study concluded that the use of audit checklists can enhance the effectiveness of auditing and improve the overall performance of local governments. However, some studies have suggested that the use of audit checklists may not necessarily improve the performance of local governments. For example, Ndlovu and Deep (2018) suggest that the effectiveness of audit checklists depends on how they are designed and implemented. The authors conducted a study on the use of audit checklists in Zimbabwean local government audits and found that ineffective use of checklists resulted in incomplete audit work, inadequate audit evidence, and poor audit outcomes.

Nazari and Adhikari (2016), investigated the impact of audit quality on the purchasing outcomes of local governments in Australia. The study found that the use of audit checklists improved the quality of audits and subsequently increased the likelihood of detecting fraud and errors in purchasing procedures. The authors concluded that audit checklists are valuable tools for improving audit quality and enhancing the performance of local governments. Ma et al. (2014), investigated the impact of using audit checklists on the quality of financial statement audits in China. The study found that the use of audit checklists improved the consistency and completeness of audit procedures, leading to higher quality financial reporting.

Gbadamosi and Daramola (2017), investigated the impact of audit checklists on the quality of municipal financial reporting in Nigeria. The study found that the use of audit checklists improved the completeness, accuracy, and timeliness of financial reporting, leading to better decision-making and enhanced performance of local governments. The authors concluded that audit checklists should be integrated into audit practices in Nigeria to improve the quality of financial reporting and enhance local government performance. A study conducted by Lee et al. (2015) examined the impacts of performance audit reports with checklists on local government performance in Korea. The authors found that the use of checklists led to more accurate and comprehensive findings, as well as the identification of more deficiencies in local government

operations. The authors also revealed that using checklists improved the credibility of the audit reports and led to increased public trust in local governments.

Kiyoshi and Maria (2017) assessed the effects of audit checklists on the quality of local government financial reporting in Indonesia. The article noted that local governments in Indonesia often struggle with financial reporting accuracy due to a lack of appropriate financial controls and governance mechanisms. The authors found that the use of audit checklists led to a significant improvement in financial reporting quality, especially in terms of the identification of errors and omissions. In a study by Aisjah et al. (2019), the authors assessed the effects of audit checklists on the performance of district and city governments in Indonesia. The study found that the use of audit checklists significantly enhanced the efficiency and effectiveness of audits and helped improve the performance of local governments. The authors also noted that the use of checklists improved the communication and cooperation between auditors and local government officials.

Another study by Kim et al. (2020) explored the effects of audit checklists on the accountability of local governments in Korea. The article found that the use of checklists enhanced the accountability of local governments and resulted in more effective compliance monitoring and reporting. The authors also found that the use of audit checklists helped to reduce audit costs and increase audit efficiency. The studies reviewed indicate that audit checklists can improve the accuracy and completeness of audit findings and enhance the credibility and accountability of local governments.

Audit checklist and performance of local government by Amadi (2016), this study found that the use of audit checklist in local government has led to improved compliance with laws and regulations, enhanced transparency, and increased accountability. The study also highlights the importance of training and capacity building for auditors and local government staff to ensure the effective use of audit checklist.

The impact of audit checklist on financial performance of local government in Nigeria by Ireferin, Adewumi, and Abogun (2019); the study found that the use of audit checklist in local governments in Nigeria led to improved financial performance including increased revenue generation and reduced wastage of resources. The study recommended the adoption of standardized audit checklist and regular review and update of checklists to ensure they remain relevant and effective.

The internal audit on local government performance by Oyetunji and Adeoye ((2018); This study found that the use of internal audit which includes the use of audit checklists in local government in Nigeria led to improved financial management, enhanced accountability and transparency, and increased efficiency. The study recommended the establishment of independent internal audit function with adequate resources and training for effective performance.

The effectiveness of audit checklists in local government internal audit in Ghana by Agyei and Amankwah-Amoah ((2017); This study found that the use of audit checklists in local government internal audit in Ghana led to improved compliance with laws and regulations, enhanced transparency, and increased efficiency. The study recommended the regular review and update of audit checklists to ensure they remain relevant and effective, as well as the need for adequate training and capacity building for auditors and local government staff.

The studies suggest that the use of audit checklists can have a positive impact on the performance of local government, including improved compliance with laws and regulations, enhanced transparency, increased efficiency, and increased financial performance. However, the effectiveness of audit checklists depends on various factors including relevance and adequacy of checklists, the training and capacity of auditors and government staff, and the support and commitment of management to the audit process.

Research has shown that audit checklists can have a significant positive impact on the performance of local governments. One study conducted in the United States found that the implementation of audit checklists led to increased compliance with accounting standards, improved financial reporting, and greater transparency in government financial management (Becker & Melumad, 1988). Another study in Australia indicated that the use of audit checklists enhances the quality of performance auditing, leading to more effective and efficient use of resources by local governments (Lynch, 2014). The use of audit checklists has been found to promote consistency in the audit process, reduce the likelihood of errors and omissions, and improve the overall quality of audit reports (Argyris & Schön, 1996).

Samihah et al. (2019) examined the impact of performance audit practices on public sector transparency and accountability. The study found that the use of performance audits improved public sector performance and increased public trust in government operations. In addition to improving the quality of audit processes, audit checklists have also been shown to have a positive

impact on the performance of local government institutions. For example, one study conducted in Nigeria found that the use of audit checklists led to significant improvements in the financial management practices of local governments, as well as greater accountability and transparency (Oyewo, 2013).

Razak et al. (2015) examined the use of audit management software in Malaysian public sector auditing. The study found that the use of such software increased audit efficiency and effectiveness. The authors suggest that the use of audit checklists within such software may have contributed to these positive outcomes. A systematic review by Moafi et al. (2018) explored the use of auditing tools in the public sector more broadly. The review found that the use of auditing tools, including checklists, can improve auditing performance and enhance the reliability of audit results.

According to Bwebwe and Tembo (2020), the use of audit checklists has led to improved performance of local governments. Audit checklists ensure adherence to audit standards and provide a systematic approach to audit planning, execution, and reporting. The authors further argue that audit checklists improve the accuracy of findings and recommendations made by auditors, leading to enhanced accountability and service delivery in local governments.

A study by Olowookere et al. (2017) found that the use of audit checklists improved the quality of audits and enhanced the efficiency of audit processes. The study further revealed that the use of audit checklists led to increased compliance with laws and regulations and improved financial reporting quality. In a similar study by Kassim and Ojera (2018), the use of audit checklists was found to improve local government performance through increased adherence to auditing standards. The study noted that audit checklists facilitate the identification of errors, inconsistencies, and omissions, thus reducing the likelihood of financial irregularities.

A study conducted by Wang and Lai (2011) found that the use of audit checklists improves the quality of financial reporting and compliance with laws and regulations in local governments in Taiwan. Similarly, a study by Asemah and Oloyede (2016) found that the use of checklist in local government audit improves the effectiveness of audit and helps auditors to identify deficiencies in financial management. However, some studies have raised concerns over the effectiveness of audit checklists in improving local government performance. A study by Gichoya and Kihara (2018)

found that audit checklists were limited in assessing the quality of local government services. The study highlighted that audit checklists mainly focus on financial, legal, and regulatory compliance, neglecting critical service delivery aspects such as the quality of roads, sanitation, and healthcare.

A study by Goldstein, Thornton, and Williams (2016) noted that audit checklists increase the transparency of audit processes and hold local government officials accountable for their decisions. Similarly, a study by Amponsah, Adane, and Arthur (2017) found that the use of audit checklists helps local government officials to be transparent and accountable to the public. A study by Zaigham and Rauf (2015) found that audit checklists have little impact on the quality of financial reporting in local governments in Pakistan. This inconsistency in results may be due to differences in the implementation of audit checklists and the complexity of the auditing process.

The literature review suggests that audit checklists can positively affect the performance of local governments by improving financial reporting as well as increasing transparency and accountability. However, the implementation of audit checklists needs to be well-designed and monitored to ensure their effectiveness in practice.

2.4 Chapter Summary

This chapter provides a comprehensive review of literature related to the impact of audit strategy, audit risk, and audit checklists on the performance of local governments. Various studies from different countries such as Nigeria, China, South Africa, and the United States have been examined to understand how audit-related factors influence the effectiveness and efficiency of local government operations. The findings suggest that adopting a comprehensive audit strategy, including risk-based approaches, can significantly enhance local government performance by promoting better management practices and accountability. Moreover, audit risks such as inadequate resources and weak internal controls can negatively affect financial management and overall performance. Additionally, the use of audit checklists has been shown to improve audit quality, compliance with regulations, and transparency, ultimately leading to better financial reporting and service delivery in local governments. Overall, the literature underscores the importance of effective auditing practices in promoting transparency, accountability, and good governance within local government institutions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher will cover 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

A research design according to Andrew B kirumbi (2018) is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem research. Saunders, et al. (2012) defined research design as a general plan to answer a research question. As a systematic approach to conducting a scientific inquiry, it brings together several components, strategies, and methods to collect data and analyze it. The researcher used case study research design is a research approach that is used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context. It was used because it allowed the researcher to explore the key characteristics, meanings, and implications of the case. The phases in this study are situation analysis (also called a needs assessment), design, implementation and evaluation.

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 (2013) describe population as all the elements that meet criteria for inclusion in a study. The study involved a study population of 40 to represent the entire population of Mbale city council of different departments that comprises of, 1 Town Agents, 1 accounts officer, 1 secretary, 1 human resource manager, 2 auditors, and 13 auditors, all were respondents from Mbale city council.

3.3 Sample size and Sampling procedures

Sample size

Eisenhardt, K.M. (2019) articulated a sample size as a proportion of a population. The sample were selected from the Mbale city council who included include Town Agents, accounts officer, secretary, human resource manager, auditors, and councilors.

Sample size is important in determining the accuracy and finding reliability of a survey. In the sample size determination (the selection method of choosing the number of observations to include in the sample) is an important feature of any empirical study.

The researcher used Slovenes formula of (1960) which is as seen below;

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

Respondents	Population	Sample size	Sampling procedures
Town Agents	8	7	purposive sampling
Accounts officer	6	6	purposive sampling
Secretary	5	5	purposive sampling
Councilors	10	9	Stratified random sampling.
Human resource manager	4	3	purposive sampling
Auditors	7	6	Purposive sampling
Total	40	36	

Source: Morgan and Krejuice Table (1960)

3.4 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 which was as follows:

3.4.1 Purposive sampling

Hayes, R. (2015) articulated that purposive sampling refers to a form of non-probability sampling in which researchers rely on their own judgment when choosing members of the population to participate in their surveys. The study used purposive sampling procedure targeting the key information with the experience of the Town Agents, accounts officer, human resource manager, auditors this is because it can enable researchers to squeeze a lot of information out of the data that

they have collected. This can allow researchers to describe the major impact their findings have on the population.

3.4.2 Stratified random sampling.

According to Mugenda (2013), Stratified random sampling is a method where a population is divided into distinct subgroups or strata based on certain characteristics, such as age, gender, socioeconomic status, or geographic location. Within each stratum, a random sample is independently selected. This technique is justified as it ensures representation from all segments of the population, reducing the risk of bias and providing more accurate estimates for each subgroup. By accounting for the variability within different strata, stratified random sampling improves the precision and reliability of study results. It allows researchers to address specific research questions by focusing on key population characteristics. Moreover, this method enhances the efficiency of sampling efforts, as it enables more targeted sampling strategies tailored to the unique attributes of each stratum. Overall, stratified random sampling is a powerful tool for obtaining a representative sample from large and diverse populations, yielding insights that are applicable across various demographic or categorical groups.

3.5 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 include secondary and primary data.

3.5.1 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. This were applied on respondents such as; Town Agents, Accounts officer, Secretary, Councilors and Human resource manager and Auditors 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. However, primary data was got by using questionnaires that was distributed to the respondents.

3.5.2 Secondary data collection

According to Dennis, A. (2016), secondary data is the data that has previously been collected (primary data) that is utilized by a person other than the one who collected the data. Secondary data is often 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 Mbale city 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.

3.6 Data collection instruments

Data collection is a tool that is used to collect data (Dilworth 2018). The researcher basically will focus on the two methods of data collection and these include questionnaire and interview.

3.6.1 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. Questionnaires was used to collect information from the Town Agents, accounts officers, auditors from Mbale city council where the researcher will allow the study respondents to fill the questionnaire in the study population. 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. This will allow free responses from the respondents that are engaged in the depth views about the study questions. The closed ended questions will include alternative answers for selection and also was 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.

3.6.2 Interview guide

According to Coase, R.H. (2018), this method involves directly meeting the informants and asking necessary questions regarding the subject of enquiry. The interview guide was used to collect information from the accounts officers, auditors from Mbale city council where the researcher will allow the study respondents to fill the questionnaire in the study population. 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.

3.7 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 will determine the validity and reliability of the instruments.

3.7.1 Validity

Validity refers to how well an instrument measures what it is intended to measure (Mallery, 2013). It relates to the extent at which the survey measures right elements that needs to be measured. The researcher will consult the supervisor about the items in the instrument rated as VR, R, and rate or not rated. From the rating the researcher will compute CVI using George and Mallery (2013). The Content Validity Index could be found to be 0.882 for all the items on the questionnaire and interview guide were combined. Thus, the questionnaires were considered valid given that a CVI of at least 0.8 is considered greatly in measuring validity.

3.7.2 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 will test 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 (2014) using SPSS software if the reliability test is closer to one.

3.8 Data Analysis.

Quantitative Data Analysis

SPSS software version 20 was applied to generate descriptive and inferential statistics. The frequency and percentage distribution were employed to decide the demographic features participants. While mean and SD was used for different points of agreements in relation to the questions are asked on the Likert scale. Audit planning and performance in local governments in Uganda were evaluated using a simple regression analysis. The stated variables in the questionnaires were analyzed using descriptive statistics of reactions that can be categorized. Where strongly agree=1, Agree=2, Neutral=3, Disagree=4, strongly disagree=5

The researcher will analyze inferential and descriptive statistics by beginning by analyzing descriptive statistics to summarize and explore the characteristics of the dataset, utilizing measures such as mean, median, mode, range, variance, and standard deviation to understand central tendency and variability. Visual representations like histograms and scatter plots will aid in identifying distribution patterns within the data. Additionally, frequency distributions will provide insights into the occurrence of specific values. Subsequently, the researcher will employ inferential statistics to make predictions or inferences about populations based on sample data. This process involves formulating hypotheses, selecting appropriate statistical tests, conducting analyses, and interpreting results, considering measures like effect size and confidence intervals to assess practical significance. Assumptions underlying the statistical tests were checked to ensure the validity of conclusions drawn. By integrating both types of analysis, the researcher can gain a comprehensive understanding of the data, facilitating informed decision-making and meaningful conclusions in research endeavors.

Analysis of Qualitative Data

The researcher will analyze qualitative data by employing systematic techniques such as thematic analysis or content analysis, where data is coded, categorized, and interpreted to identify recurring

themes or patterns. This process involves familiarization with the data through multiple readings, followed by the generation of initial codes to capture meaningful segments. These codes are then organized into broader themes or categories, often iteratively refined through constant comparison and discussion among researchers. Interpretations are drawn by contextualizing themes within the broader research context and considering their implications. Additionally, techniques like memo writing or reflexivity aid in documenting the researcher's reflections and biases throughout the analysis process. By employing rigorous qualitative analysis methods, the researcher can gain rich insights, generate theories, and contribute to a deeper understanding of complex phenomena.

3.9 Procedure of Data Collection

After writing the research proposal to the satisfaction of the supervisor, an introductory letter for seeking permission to proceed for data collection were obtained from Uganda Christian University, and this was used to make respondents believe in the researcher. This letter shall be taken to the city clerk of the Mbale city council to seek for permission before engaging the population for the study.

3.10 Ethical Consideration.

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.

The researcher will respect the dignity of the respondents and treats the information given with uttermost confidentiality and for the research purpose only.

The researcher used prerogative questions to the respondents especially questions concerning private life and even those which dig down the respondent's dignity.

Participant in a study shall be protected from an adverse situation. They were assured that information that is provided to the researcher and their participation could not affect them.

Permission shall be 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.

3.11 Summary of the literature

This chapter contains an overview of the research methodology employed in the study. It encompasses various aspects including research design, study population, sample size determination, sources of data, data collection methods, quality control measures, data analysis techniques, ethical considerations, and limitations of the study. The research design chosen is a case study approach, allowing for an in-depth exploration of a complex issue within the real-life context of Mbale city council. The study population comprises 40 individuals representing different departments within the council. Sample size determination is based on both purposive and stratified random sampling methods. Data were collected through primary (questionnaires and interviews) and secondary sources. Quality control measures include validity and reliability assessments of research instruments. Data analysis involves both quantitative and qualitative techniques, such as descriptive and inferential statistics for quantitative data, and thematic analysis for qualitative data. The procedure of data collection involves obtaining necessary permissions and ensuring ethical considerations throughout the research process, safeguarding participant confidentiality and well-being.

CHAPTER FOUR
DATA ANALYSIS PRESENTATION AND INTERPRETATION OF FINDINGS

4.0. Introduction

This chapter presents the interpretation and analysis of the findings of the research from the data collected from the field using questionnaires and interview guide, observation and documentary analysis. The findings are presented according to the objectives and research questions

4.1. Biological Data of the respondents

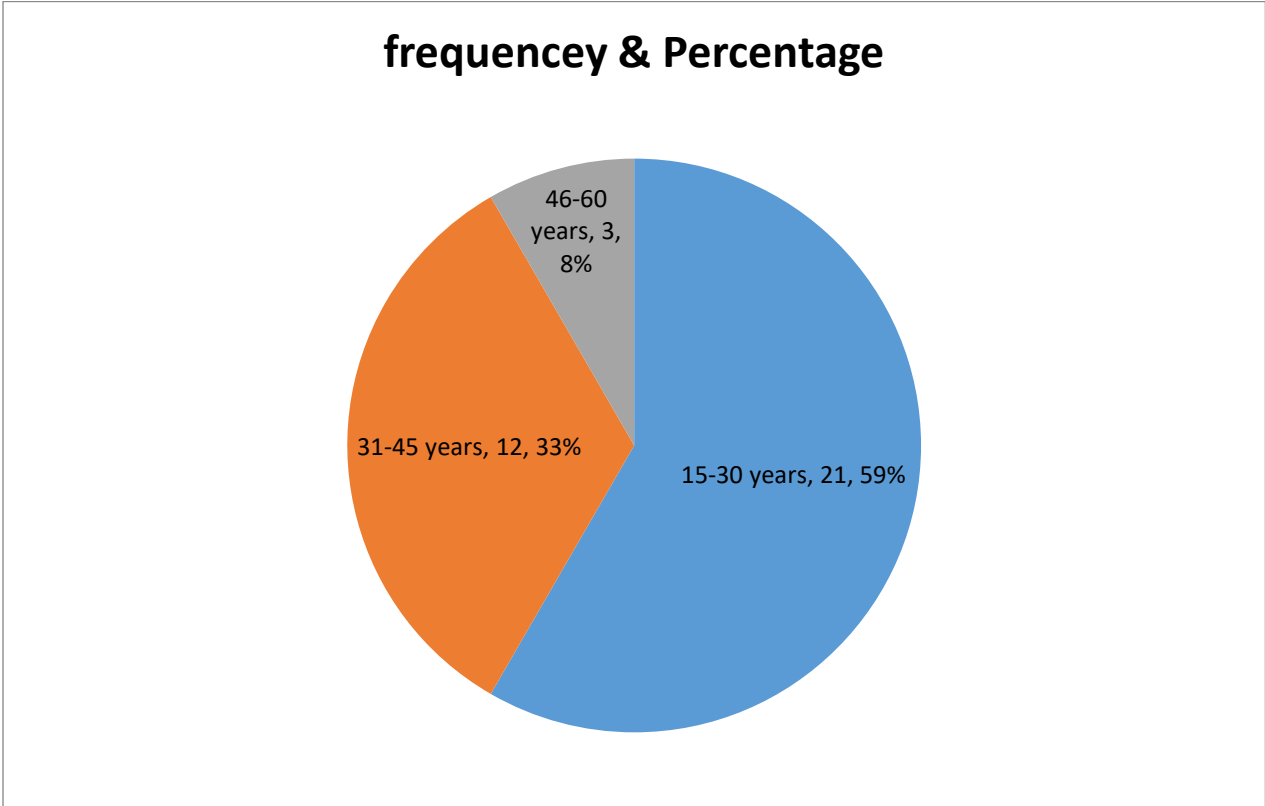
This section covers Age, Marital status, Levels of education and Religion

Table 4.1. Showing the age of the respondents

Response	Frequency	Percent
15-30 years	21	58.3
31-45 years	12	33.3
46-60 years	3	8.3
Total	36	100.0

Source: Primary Data 2024

Figure 2: Pie chart showing the age of the respondents



Source: Primary Data 2024

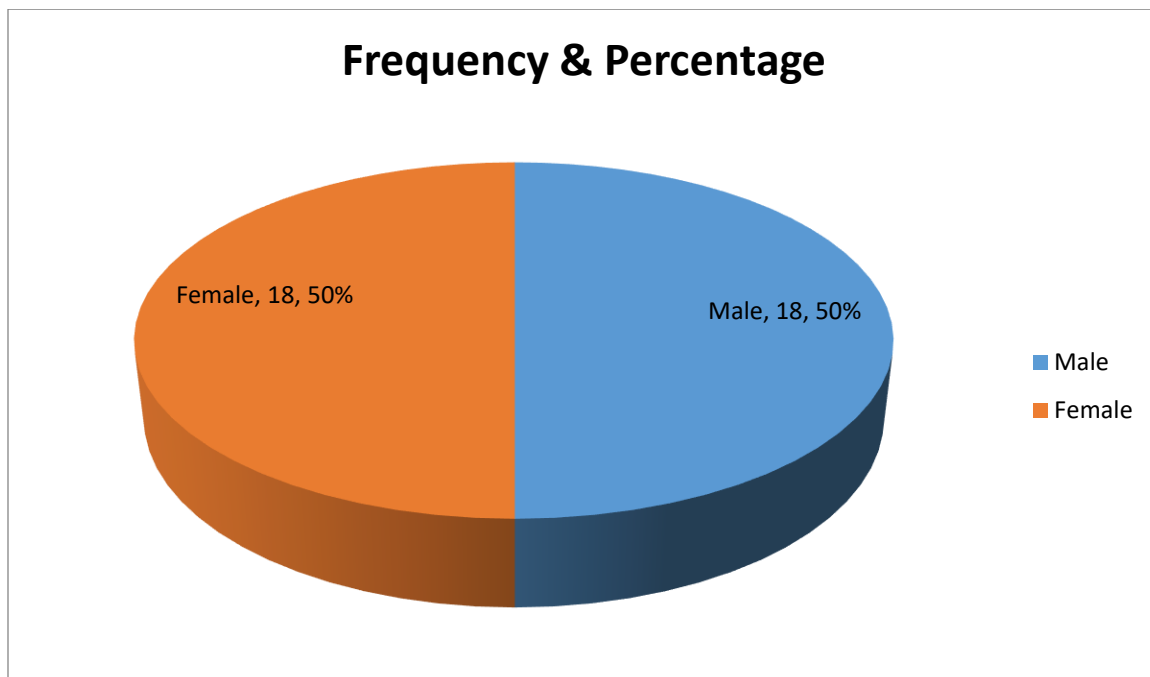
The study in table 4.1 showed that 58.3% respondents were the majority being between 15-30 years, 32-45 years came second with 33.3% response and 8.3% respondents came last as being between 46-60 years. This showed that most of the respondents were between 15-50 years who are still willing and able to accomplish assigned duties in the organization.

Table 4.2: Showing sex of the respondents

Response	Frequency	Percent
Male	18	50.0
Female	18	50.0
Total	36	100.0

Source: Primary data 2024

Figure 3: Pie chart showing sex of the respondents



Source: Primary data 2024

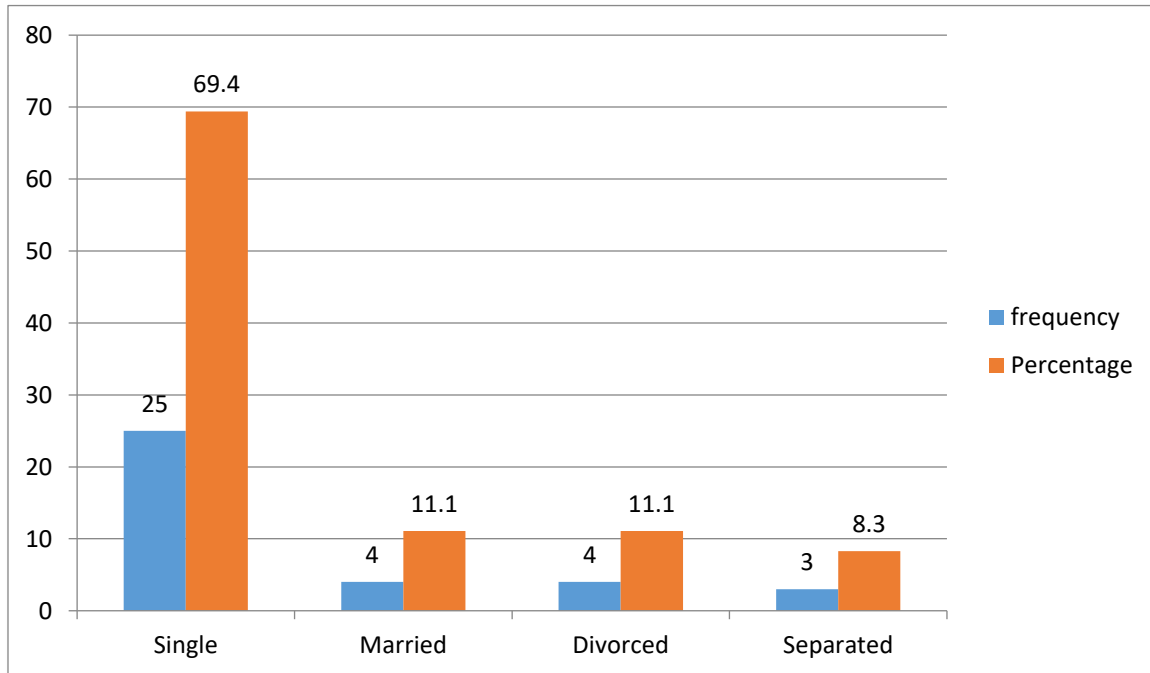
The findings shown in table 4.2 above revealed that 50.0% respondents were male and 50.0% respondents were also female. This shows that Mbale City council is not gender sensitive and takes all people as equal as seen by the equality in employing both male and female equally which brings harmony and peace in the organization.

Table 4.3: Showing marital status of the respondents

Response	Frequency	Percent
Single	25	69.4
Married	4	11.1
Divorced	4	11.1
Separated	3	8.3
Total	36	100.0

Source: Primary Data 2024

Figure 4: Bar graph showing marital status of the respondents



Source: Primary data 2024

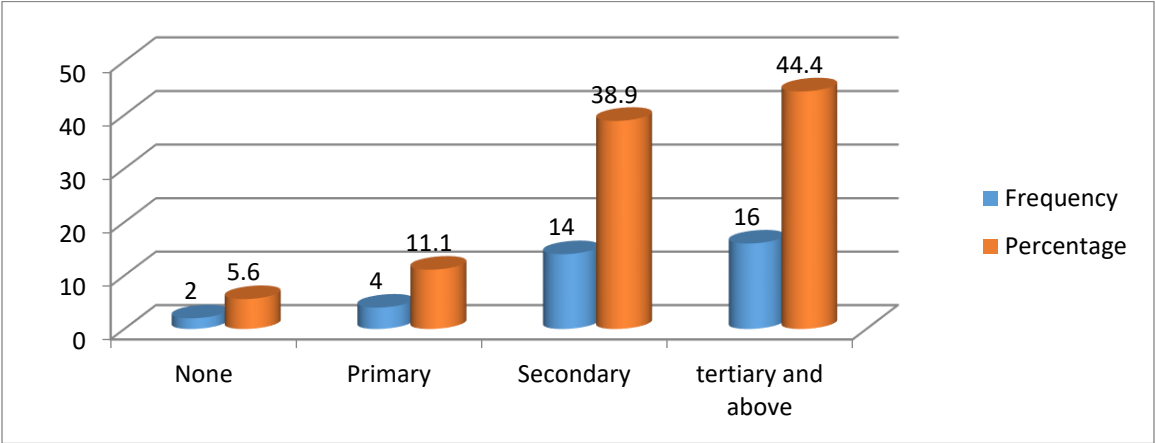
Finding revealed in table 3 above, that 69.4% respondents were singles, 11.1% respondents had married and divorced, and 8.3% respondents had separated this showed that most of the respondents were single who can move from one place to another without much family ties and much other responsibilities after worker and were the majority in taking part to fill the questionnaires.

Table 4.4: Showing levels of education

Response	Frequency	Percent
None	2	5.6
Primary	4	11.1
Secondary	14	38.9
tertiary and above	16	44.4
Total	36	100.0

Source: Primary data 2024

Figure 5: Bar graph showing levels of education



Source: Primary data 2024

Findings in table 4.4 showed that 44.4% respondents had attained tertiary institutions and above, 38.9% of the respondents were secondary holders, 11.1% of the respondents were primary holders and 5.6% of the respondents had not attained any level of education. This indicated that majority of the respondents had attained up to tertiary level of education.

4.2. The effect of audit strategy on financial performance

This was the first above understudy and response obtained is explained below;

Table 4.5: Showing the effect of audit strategy on financial performance

Statement	SA	A	U	D	SD
Audits perform in accordance with International Accounting standards	16 (44.4%)	15 (41.7%)	3 (8.3%)	2 (5.6)	0%
Auditors perform their duties without due influence	11 (30.6%)	17 (47.2%)	4 (11.1%)	0%	4 (11.1%)
All funds realized are approved before spending	12 (33.3%)	7 (19.4%)	0.0%	6(16.7%)	11(30.6%)
There is audit planning department	7 (19.4%)	14(38.9%)	4 (11.1%)	3 (8.3%)	8 (22.3%)
Detecting and reporting of fraud led to proper financial performance.	11(30%)	9 (25%)	5(13%)	2 (7%)	9 (25%)

Audit is done weekly, monthly, quarterly or annually	8 (22.2%)	10 (27.8%)	5 (13.9%)	9 (25%)	4 (11.1%)
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Source: Primary data 2024

The findings in table 4.5 above revealed that 44.4% of the respondents strongly agreed, 41.7% of the respondents agreed, 8.3% of the respondents were undecided, 5.6% of the respondents disagreed, and 0% of the respondents strongly disagreed. This implied that audits are performed in accordance with International Accounting standards as evidenced by the majority of the respondents who strongly agreed (44.4%).

About auditors performance of their duties without due influence, 30.6% of the respondents strongly agreed, and 47.2% of the respondents agreed, 11.1% of the respondents were undecided, 0% of the respondents disagreed, and 11.1% of the respondents strongly disagreed. This means that majority of the respondents with 47.2% agreed that auditors perform their duties without due influence meaning that auditors are independent on their official duties. In addition, about all funds realized are approved before spending, 33.3% of the respondents strongly agreed, 19.4% of the respondents agreed, undecided had no response, 16.7% of the respondents disagreed, 30.6% of the respondents strongly disagreed. This implied that majority of the respondents strongly agreed with 33.3% that all funds realized are approved before spending in Mbale City council.

Furthermore, 19.4% of the respondents strongly agreed, 38.9% of the respondents agreed, 11.1% of the respondents undecided, 8.3% of the respondents disagreed, and 22.3% of the respondents strongly disagreed. This implied that majority of the respondents were agreed that there is audit planning department.

However, on detecting and reporting of fraud led to proper financial performance 30.0% strongly agreed, 25.0% of the respondents agreed, 13.0% of the respondents undecided, 7.0% of the respondents disagreed, and 25.0% of the respondents strongly disagreed. This implied that detecting and reporting of fraud led to proper financial performance as the majority of the respondents with 30.0% strongly agreed.

About Audit is done weekly, monthly, quarterly or annually, 22.2% of the respondents strongly agreed, 27.8% of the respondents agreed, 13.9% of the respondents disagreed, 25.0% of the respondent’s undecided, and 11.1% strongly disagreed. This implied that majority of the respondents agreed that audits were done weekly, monthly, quarterly, or annually. In line with Audit planning Techniques (2014) states that audit planning plays an important role in helping organizations achieve their intended objectives. It has always been viewed as an integral part of organizational governance, and increasingly as an instrument for improving the performance of the organization, both in private and public sector.

**Table 4.6: Showing the effect of audit strategy on financial performance
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.096 ^a	.009	.008	1.33407

- a. Predictors: (Constant), audit strategy
- b. Dependent: Financial performance

Source: Primary data (2024)

Table 4.6 gives R² of 0.9% implying that audit strategy has less effect on financial performance as represented by r squared of 0.009% while other factors influencing financial performance account for the highest Percentage of 0.991%. This means that other factors that influence the financial performance accounts to only approximately 99.1%.

Table 4.7: Showing ANOVAModel		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.959	1	.959	.539	.466 ^a
	Residual	103.225	35	1.780		
	Total	104.183	36			

a. Predictors: (Constant), audit strategy

b. Dependent Variable: Financial performance

Source: Primary data (2024)

From the above table 4.8, showed that there was less significance between audit strategy and financial performance being represented by 0.466 (46.6%), while other factors account for 0.534 (53.4%).

4.3. The effect of audit risk on financial performance

The respondents were asked several questions as explained below;

Table 4.8: Showing the effect of audit risk on financial performance

STATEMENT	SA	A	U	D	SD
Auditors perform their duties without due influence	11(30.6%)	14(38.9%)	2 (5.6%)	5 (13.9%)	4(11.0%)
Conflict of interest is minimized in the organization	11 (30.6%)	17 (47.2%)	2 (5.6%)	4 (11.1%)	2 (5.5%)
Auditors' reports are reliable by management	16(44.4%)	13(36.1%)	2(5.6%)	3(8.3%)	2(5.6%)
Decision made by management is based on auditor's report	16(44.4%)	5(13.9%)	0%	9(25.0%)	6(16.7%)

Fraud and embezzlement are detected by auditors	12(33.3%)	6(16.7%)	4(11.1%)	10(27.7%)	4(11.1%)
Audit risk enables auditor to perform their work diligently	12(33.3%)	9(25.0%)	2(5.6%)	10(27.8%)	3(8.3%)

Source: Primary Data 2024

According to the findings presented in Table 4.8 regarding the effect of audit risk on financial performance, it is evident that respondents perceive various aspects related to auditing practices and their impact on organizational performance. The responses reveal that auditors are perceived to perform their duties without undue influence by a considerable proportion of respondents, with 30.6% strongly agreeing and 38.9% agreeing. This finding resonates with previous studies such as those by DeAngelo (1981) and Pizzini et al. (2007), which emphasize the importance of auditor independence in ensuring the reliability of financial reporting and enhancing organizational performance. A lack of undue influence on auditors is crucial for maintaining the integrity and credibility of financial statements, thereby positively affecting financial performance.

Conflict of interest is another critical aspect addressed in the study, with 30.6% of respondents strongly agreeing and 47.2% agreeing that it is minimized in the organization. This finding is consistent with the recommendations of prior research by Sweeney (1994) and Abbott et al. (2004), highlighting the significance of managing conflicts of interest to mitigate audit risks and uphold financial performance. Minimizing conflicts of interest within the organization ensures that auditors can carry out their duties objectively and without bias, contributing to the reliability of financial reporting and bolstering investor confidence.

The reliability of auditors' reports is another key factor examined in the study, with 44.4% of respondents strongly agreeing and 36.1% agreeing that auditors' reports are reliable. This finding aligns with the findings of previous studies by Carcello and Nagy (2004) and Glover et al. (2007), which emphasize the importance of reliable audit reports in facilitating informed decision-making and enhancing financial performance. Management's reliance on auditors' reports underscores the crucial role of auditors in providing accurate and trustworthy information, thereby influencing organizational decision-making processes and ultimately financial outcomes.

Furthermore, the study reveals that a significant proportion of respondents (44.4% strongly agree and 13.9% agree) believe that decisions made by management are based on auditors' reports. This finding echoes the findings of research by Abbott et al. (2004) and Krishnan (2005), which highlight the pivotal role of audit reports in guiding management decisions and ensuring transparency and accountability. The reliance on auditors' reports by management underscores the importance of audit quality in shaping organizational strategies and actions, thus impacting financial performance positively.

Detecting fraud and embezzlement is another crucial function of auditors examined in the study, with 33.3% of respondents strongly agreeing and 16.7% agreeing that auditors are effective in this aspect. This finding is consistent with prior research by Beasley et al. (2000) and Cohen et al. (2007), which emphasize the role of auditors in detecting and preventing fraudulent activities to safeguard organizational assets and enhance financial performance. Effective fraud detection mechanisms contribute to minimizing financial losses and maintaining stakeholder trust, thereby positively impacting financial outcomes.

Lastly, the study indicates that audit risk enables auditors to perform their work diligently, with 33.3% of respondents strongly agreeing and 25.0% agreeing. This finding aligns with the findings of research by Bédard and Gendron (2010) and Libby et al. (2017), which underscore the importance of audit risk assessment in ensuring the effectiveness and efficiency of audit processes. A well-managed audit risk framework enables auditors to focus their efforts on areas of higher risk, thereby enhancing the quality of audit procedures and ultimately contributing to improved financial performance.

Table 4.9: Showing the effect of audit risk on financial performance
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.174 ^a	.030	.014	1.34986

a. Predictors: (Constant), audit risk

Source: Primary Data (2024)

Table 4.9 above reveals that there was partial relationship between audit and financial performance as reflected by 3% as shown by r squared of 0.30. Apart from audit other factors influence financial performance at only 97% or r squared of 0.97. According Dumitrescu (2004), acknowledges that every local government should have an audit planning department on which with regard to the volume and nature of its activities it can rely. In smaller local governments audit planning is often provided externally (Cerosoli, 2008). The audit planning department in local government institution must be independent from the activities which it controls and must likewise be independent from the day-to-day internal control processes. In this way it is guaranteed that this department performs its activities objectively and impartially. Audit planning may not have a conflict of interests with the local government. Every local government should have formalized.

Table 4.10: Showing ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3.301	1	3.301	1.812	.184 ^a
Residual	105.682	35	1.822		
Total	108.983	36			

a. Predictors: (Constant), audit risk

b. Dependent Variable: Financial performance

Findings in table 4.10 above, showed that audit influence financial performance represented by the significance level of 0.184 which was 18.4% which also affect financial performance because it creates fear, hard work among staff, accomplishment of tasks, and minimized fraud and embezzlement. In relation to Cai Chun (1997) Independence is the essence of auditing. An audit planning must be independent of both the personnel and operational activities of an organization. Otherwise, the integrity of the auditor 's opinions, conclusions and recommendations would be

suspect. So, independence is necessary for the effective achievement of the function and objective of audit planning, so as to positively improve on the performance of the organization.

4.4. The effect of audit checklist on financial performance

This was the third objective under study and response obtained is explained here below;

Table 4.11: Showing the effect of audit checklist on financial performance

STATEMENT	SA	A	U	D	SD
Auditors do their audit work without due influence	14(38.9%)	8 (22.2%)	3(8.3%)	4 (11.1%)	7 (19.4%)
Auditors also engage in management of the organizational activities	11(30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5(13.8%)
Auditors are bribed to present financial statements in the interest of management	5 (13.9%)	7(19.4%)	6 (16.7%)	8 (22.2%)	10 (27.8%)
Auditors keep information of their client confidently	11 (30.6%)	6 (16.7%)	5 (13.9%)	5 (13.9%)	9 (25.0%)
Auditors are competent in performing their duties	13 (36.1%)	9 (25.0%)	4 (11.0%)	7(19.4%)	3 (8.3%)
There is increased embezzlement of funds due to incompetence of auditors	18(50.0%)	13(36.1%)	3 (8.3%)	2 (5.6%)	0%
Risks and fraud is detected by auditors	11 (30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5 (13.9%)

Source: Primary data 2024

According to the findings presented in Table 4.11 regarding the effect of audit checklist on financial performance, respondents' perceptions shed light on various aspects related to the effectiveness of audit practices and their impact on organizational performance. The responses reveal that a significant proportion of respondents (38.9% strongly agree and 22.2% agree) believe that auditors conduct their audit work without undue influence. This finding aligns with previous

research by DeAngelo (1981) and Pizzini et al. (2007), which emphasize the importance of auditor independence in ensuring the reliability of financial reporting and enhancing organizational performance. The absence of undue influence on auditors is essential for maintaining the integrity and credibility of financial statements, thus positively affecting financial performance.

Furthermore, the study indicates that a considerable proportion of respondents (30.6% strongly agree and 27.8% agree) believe that auditors also engage in managing organizational activities. This finding may raise concerns regarding auditor independence and objectivity, as auditors should maintain a certain level of detachment from management to ensure unbiased reporting. Previous research by Sweeney (1994) and Abbott et al. (2004) highlights the importance of minimizing conflicts of interest to mitigate audit risks and uphold financial performance.

Additionally, the study reveals that a small percentage of respondents (13.9% strongly agree and 19.4% agree) believe that auditors are bribed to present financial statements in the interest of management. This finding underscores the significance of ethical conduct and integrity in auditing practices, as bribery compromises auditor independence and undermines the reliability of financial reporting. Previous studies by Carcello and Nagy (2004) and Glover et al. (2007) emphasize the importance of reliable audit reports in facilitating informed decision-making and enhancing financial performance.

Moreover, the study indicates that a significant proportion of respondents (36.1% strongly agree and 25.0% agree) believe that auditors are competent in performing their duties. This finding underscores the importance of auditor expertise and proficiency in ensuring the effectiveness of audit processes and enhancing financial performance. Previous research by Bédard and Gendron (2010) and Libby et al. (2017) highlights the significance of audit risk assessment in ensuring the efficiency and effectiveness of audit procedures.

However, concerning is the finding that a substantial percentage of respondents (50.0% strongly agree and 36.1% agree) believe that there is increased embezzlement of funds due to the incompetence of auditors. This finding underscores the importance of auditor competence in detecting and preventing fraudulent activities, as ineffective auditing practices can lead to financial mismanagement and loss. Previous research by Beasley et al. (2000) and Cohen et al. (2007)

emphasizes the role of auditors in detecting and preventing fraudulent activities to safeguard organizational assets and enhance financial performance.

Lastly, the study indicates that a significant proportion of respondents (30.6% strongly agree and 27.8% agree) believe that risks and fraud are detected by auditors. This finding underscores the importance of effective audit practices in identifying and mitigating risks to organizational performance. Previous research by Abbott et al. (2004) and Krishnan (2005) highlights the pivotal role of audit reports in guiding management decisions and ensuring transparency and accountability, thus positively influencing financial outcomes.

**Table 4.12: Showing the effect of audit checklist on financial performance
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.145 ^a	.021	.004	1.41719

a. Predictors: (Constant), Audit check list

Table 4.13 above reveals that there was partial relationship between competence and financial performance as reflected by 2.1% as shown by r squared of 0.021. Apart from competence other factors influencing financial performance 99.79% or r squared of 0.9979.

Table 4.13: The effect of audit checklist on financial performance

		Audit check list	Financial performance
Audit check list	Pearson Correlation	1	.292*
	Sig. (2-tailed)		.023
	N	36	36
Financial performance	Pearson Correlation	.292*	1
	Sig. (2-tailed)	.023	
	N	36	36

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data, 2024

Results from table 4.13 above, portrays evidently that there is a positive significant relationship between Audit check list and financial performance. The Audit check list and financial performance are reflected by ($r = 0.292$, $p < 0.01$). This implied that Mbale City council should continue to employ competent auditors since it improves on financial performance by instilling fear among staff to work with confidentiality, diligence and independently.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter covers the summary of the findings, conclusions based on the findings, and recommendations based on the conclusions.

5.1 Summary of the findings

5.1.1. The effect of audit strategy on financial performance

The findings revealed that audits are performed in accordance with international accounting standards, auditors perform their duties without due influence, audit is weekly, monthly, quarterly or annually, there is audit planning department, detecting and reporting of fraud led to proper financial performance, and all funds realized are approved before spending.

5.1.2. The effect of audit risk on financial performance

The findings revealed that auditors perform their duties without due influence, conflict of interest is minimized in the organization, auditor's reports were used by management, decision made by management is based on auditors' report, fraud and embezzlement is detected by auditors, and audit risk enables auditor to perform their work diligently.

5.1.3. The effect of audit checklist on financial performance

The findings showed that auditors do their audit work without due influence, auditors also engage in management of the organizational activities, auditors were bribed to present financial statements in the interest of management, auditors keep information of their client confidentially auditors are competent in performance their duties, there is increased embezzlement of funds due to incompetence of auditors, and risks and fraud is detected by auditors. The audit planning affects financial performance in Northern Division because it instills fear, encourages accountability, effective and efficient allocation of financial resource leading to attainment of organizational set targets or goals.

5.2. Conclusion

5.2.1. The effect of audit strategy on financial performance

From the findings it can be concluded that audits are performed in accordance with international accounting standards, auditors perform their duties without due influence, audit is weekly, monthly, quarterly or annually, there is audit planning department, detecting and reporting of fraud led to proper financial performance.

5.1.2. The effect of audit risk on financial performance

From the findings, it can be concluded that auditors perform their duties without due influence, conflict of interest is minimized in the organization, auditor's reports are reliable by management, decision made by management is based on auditors' report, fraud and embezzlement is detected by auditors, and audit risk enables auditor to perform their work diligently.

5.2.3. The effect of audit checklist on financial performance

In conclusion therefore, the study revealed that auditors do their audit work without due influence, auditors also engage in management of the organizational activities, auditors are bribed to present financial statements in the interest of management, auditors keep information of their client confidentially auditors were competent in performing their duties, risks and fraud were detected by auditors.

5.3 Recommendations

The records should be kept proper to ensure effective accountability and transparency.

The clear rules and regulations should be put in place to aid effective auditing and resource collection and spending.

The local resources collected should be properly allocated according to set procedures in the institute

The expenditure to be incurred should be approved by the official in charge to curb on the misallocation and spending of resources.

Qualified personnel should be employed to carry out effective work and detect errors in records and services performed.

The polices, processes and practices should be reviewed by auditors which helps to enhance financial performance.

The Corrupt and fraudulent officials should be arrested and prosecuted for the wrong doings done in their office.

5.4 Areas for further research

i. The effect of conflict of interest on organizational performance.

ii. The effect of Audit on financial performance of Local government.

iii. The role of record keeping on quality production in an organization.

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- These resources can provide further insights into the determinants of local government performance and their impact.*

APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear respondent;

I am OKUMU BENARD ANSELM carrying out research on the topic “audit planning and performance in local governments in Uganda” as a partial fulfillment for the award of bachelor’s degree 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 were asked. However, the information given were 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. Age bracket of the respondent (years)

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

3. Academic qualification of respondent

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

4. Years of working by the respondents.

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

Section A: To determine the effect of audit strategy

This section aims at determining the effect of audit strategy on performance of local governments.

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	Statements	1	2	3	4	5
1	There is improved accountability and transparency					
2	The staff has put in place a strong internal control system to prevent fraud.					
3	Public trust is increased as the government conducts audits.					
4	There is diversion of personnel and financial resources away from critical functions such as service delivery to citizens.					
5	There is culture of defensiveness and lack of willingness to take risks or innovate,					

Section B: To assess the effect of audit risk

This section aims at assessing the effect of audit risk on performance of local governments. 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	Statements	1	2	3	4	5
1	There is an increase in account ability and transparency in financial reporting.					
2	There is sometimes inefficiencies and waste in government operations due to failure to manage audit risks					
3	There is financial mismanagement and loss of public funds.					
4	The staff ensures accuracy of financial statements					
5	There is compliance with relevant laws and regulations					

Section C: To find out the effect of audit check list

This section aims at finding out the effect of audit check list on performance of local governments.

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	Statements	1	2	3	4	5
1	Regular audits using the checklist can help local governments to identify areas for improvement and track progress over time					
2	The staff ensures that necessary tasks are completed and standards are met					
3	A structured approach to audit process is followed					
4	There is enhancement of communication among auditors, management and stake holders					
5	The staff ensures completeness and accuracy					

Section 3: Performance of local governments

This section aims at establishing the indicators of performance in local governments. 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	Statements	1	2	3	4	5
1	The local government is compliant with relevant laws and regulations.					
2	The local government effectively manages its finances and budgets.					
3	The local government provides quality services to residents.					
4	The local government is open and transparent about its decisions and actions.					

5	The local government communicates and engages effectively with the community					
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APPENDIX II: INTERVIEW GUIDE

1. In your opinion, how important is audit strategy for local governments in achieving good performance?
2. How does the audit strategy impact the overall performance of local government?
3. How do you determine what audit strategies are most effective for specific local government entities?
4. What are some of the challenges faced by local governments when implementing audit strategies?
5. How does audit risk influence the level of investment made by local government in public projects and services?
6. Can you provide with examples of how audit risk has impacted the performance of local governments of either positively or negatively?
7. How can local governments mitigate audit risk and ensure they are in compliance with applicable laws and regulations?
8. In your experience, does the use of audit checklists lead to better performance outcomes in local governments, and if so why?
9. Can you discuss any challenges that local governments may encounter when using audit checklists?
10. How do you ensure that audit checklist is relevant and effective in evaluating local government performance?
11. In your opinion, what role does technology play in enhancing the effectiveness of audit checklists in local government performance and evaluation?



UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.

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Academic Registrar office

To THE HUMAN RESOURCE OFFICER, MBALE CITY COUNCIL

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss OKUMU BENARD ANSELM.
Of Registration Number; NI22/muc/RSA/032 pursuing a Masters' Degree/Postgraduate Diploma / Bachelor's Degree

Bachelors degree in Business Administration
He/ she is required to carry out an academic research on the topic Audit Planning and Performance of local governments in Uganda. A case of Mbaale city council.

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,

Timothy Akampurira
Academic Registrar UCU-MUC

28 FEB 2024

H.A.
Handled by [unclear]
2/05/2024
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to the [unclear]

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