

# **FISCAL ACCOUNTABILITY AND PERFORMANCE OF MBALE DISTRICT LOCAL GOVERNMENT**

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**S22/MUC/BBA/032**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF  
BUSINESS ADMINISTRATION OF UGANDA CHRISTIAN UNIVERSITY**

**August, 2024**

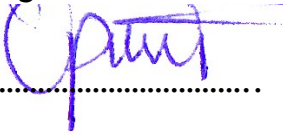


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## DECLARATION

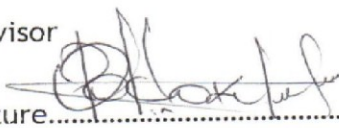
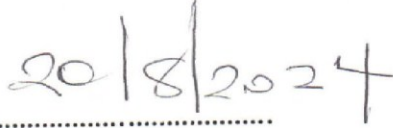
I, Opio Walter solemnly declare that the research report is as a result of my original work and has never been submitted for any academic awards to any university or higher institution of learning.

Signature: .....

Date: 20<sup>th</sup> August 2024

APPROVAL

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

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

Mr. Odoki Richard

(Supervisor)

## DEDICATION

I dedicate this research report to my parents for their unwavering love, support, and encouragements have been the driving force behind my academic journey. Their belief in my abilities and constant motivation has been instrumental in helping me overcome challenges and reach this milestone.

## ACKNOWLEDGEMENT

I would like to express my deep gratitude to my supervisor Mr. Odoki Richard for his continuous support and guidance that was throughout the entire writing process of this research report. His expertise, valuable insights, and patience were instrumental in shaping this work into its final form. I am truly grateful for her dedication and commitment to my academic success.

I am grateful to the participants who generously participated in this study and shared their time and expertise. Without their contributions, this research would not be possible. I would like to acknowledge the assistance and support that shall be was provided by the staff and resources at Mbale district. Their contributions were invaluable in gathering the necessary data and materials for this research.

I would like to express my appreciation to my family and friends for their unwavering support and encouragement that were throughout this challenging journey. Their love, understanding, and patience were crucial in keeping me motivated during the ups and downs of this research dissertation.

## LIST OF ABBREVIATIONS

CAO	:	Chief Administrative Officer
CVI	:	Content Validity Index
EAC	:	East African Community
NGOs	:	Non-Governmental Organizations
PEFA	:	Expenditure and Financial Accountability
SPSS	:	Statistical Package for Social Sciences
UCU	:	Uganda Christian University

## ABSTRACT

The research was undertaken to investigate on fiscal accountability and performance of local governments. It was guided by three objectives; to find out the effect of internal controls on performance of local governments, to analyze the effect of auditing on performance of local governments, to assess the effect of stakeholder engagement on performance of local governments. The researcher used a sample size of 36 respondents and used questionnaires to collect data and later the data was analyzed using the statistical package for social sciences (SPSS). Results of the first objective shows that internal controls positively (Beta=0.153) predicts the performance of local governments and effect is significant at p-value < 0.05. by 9.9%, Results of the second objective reveals that auditing on positively (Beta=0.224) predicts the performance of local governments and effect is significant at p-value < 0.05 by 7.8% while results of the third objective show that engagement (Beta=0.091) predicts and affects their performance of local governments. However, its effect is insignificant at p-value > 0.05 by 3.5%. It can be concluded that internal controls have a significant effect on performance of local governments, auditing affects performance of local governments and lastly stakeholder engagement has a significant effect on performance of local governments. The district should involves a multi-faceted approach that includes regular risk assessments to identify vulnerabilities, establishing clear policies and procedures, and ensuring proper segregation of duties to prevent errors or fraud. Continuous training and development of staff on internal control practices are essential to maintain awareness and adherence.

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## CHAPTER ONE

### INTRODUCTION

#### **1.0 Introduction.**

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

#### **Background of the study**

The study of fiscal accountability and performance of local government has gained significant attention in the international arena over the years. With the rise in decentralization and the increasing role of local governments in service delivery, there has been a growing emphasis on ensuring efficient and transparent use of public funds at the local level. International organizations such as the World Bank and the United Nations have recognized the importance of fiscal accountability for sustainable development and poverty alleviation (World Bank, 2020; UNDP, 2022). These organizations have developed frameworks and guidelines to promote good governance and financial

management practices in local government in order to strengthen accountability and performance.

Internationally, numerous countries have undertaken efforts to enhance fiscal accountability and performance in local government. The United States and several European countries have implemented comprehensive decentralization reforms, strengthening local fiscal autonomy and accountability (Bird & Vaillancourt, 2006). The World Bank has also played a significant role in promoting fiscal transparency through its ongoing initiatives such as the Public Expenditure and Financial Accountability (PEFA) framework. The PEFA framework aims to assess the performance of public financial management systems, including those at the local level, and provide guidance for improvement (World Bank, 2007). The need for effective fiscal management at the local level emerged as a response to concerns regarding corruption, mismanagement of resources, and poor service delivery. The seminal work by Christine Schauer and Anwar Shah (2004) highlighted the importance of fiscal accountability in local government, emphasizing the significance of financial transparency, efficiency, and effectiveness in resource allocation.

In the African context, fiscal accountability and performance of local government have been key concerns in the region's efforts to promote sustainable development and effective service delivery. Many African countries, including Uganda, have embraced decentralization as a means to bring government closer to the people and ensure responsiveness to local needs (Brosio & Mussi, 2017). However, challenges related to weak financial

management systems, corruption, and lack of transparency has hindered the effective functioning of local governments across the continent (UNDESA, 2020). African Union initiatives such as the African Governance Architecture and the African Charter on the Values and Principles of Decentralization, Local Governance, and Local Development emphasize the need for fiscal accountability and performance in local government.

Furthermore, fiscal accountability and performance in local government have gained attention due to the challenges faced in the continent's governance systems. The African Union's African Charter on the Values and Principles of Decentralization, Local Governance, and Local Development (2014) promotes principles such as transparency, accountability, participation, and equity in local governance. Various countries, such as South Africa and Ghana, have enacted legislation to strengthen fiscal accountability within their local governance structures (Tsamenyi, 2012; Mbiah, 2016).

Within the East African region, there is a growing recognition of the importance of fiscal accountability and performance at the local government level. The East African Community (EAC), a regional intergovernmental organization, has prioritized the promotion of good governance, accountability, and effective financial management as part of its regional integration agenda (EAC, 2018). Member states, including Uganda, have been encouraged to develop and implement financial management reforms to enhance transparency and accountability in local government (EAC, 2018). Furthermore, East African countries have also been engaging in regional knowledge exchange and

capacity-building initiatives to share best practices and lessons learned in the area of fiscal accountability and performance. The East African region has witnessed efforts to improve fiscal accountability and performance in local government. The East African Community (EAC) has recognized the importance of decentralization in achieving sustainable development and poverty reduction.

In Uganda, fiscal accountability and performance of local government have been critical for the country's decentralization process. The Local Government Act of 1997 established the legal framework for decentralized governance, entrusting local governments with the responsibility of delivering services to their respective communities (Government of Uganda, 1997). However, like many African countries, Uganda has faced challenges of corruption, mismanagement of public funds, and limited capacity at the local government level (Kasozi, 2018). The government has made efforts to address these issues through reforms such as the Integrated Financial Management System and the Local Government Development Grant, aimed at improving financial management practices and enhancing the accountability of local governments (MoFPED, 2020).

Additionally, fiscal accountability and performance in local government have gained significant attention. The Constitution of Uganda (1995) recognizes local governments as organs of democracy and mandates frequent reporting on

budget execution, financial management, and service delivery. The Local Government Act (1997) further defines the roles, responsibilities, and financial accountability mechanisms of local government entities. In the specific context of Mbale district, efforts have been made to enhance performance and accountability, including the establishment of participatory budgeting processes and citizen engagement initiatives (Uganda Local Governments' Association, 2019).

At the district level, the study of fiscal accountability and performance in Mbale district, Uganda, remains crucial for effective governance and service delivery. Mbale district, located in the eastern region of Uganda, faces specific challenges related to resource mobilization, budget execution, and accountability (Mbale District Local Government, 2021). The district has been working towards improving financial management systems, strengthening internal controls, and enhancing citizen participation in budget processes (Mbale District Local Government, 2021). The government's commitment to enhancing fiscal accountability in Mbale district is reflected in the allocation of resources and technical support to facilitate the implementation of financial management reforms (MoFPED, 2020). Ongoing research and evaluation efforts in Mbale district are crucial for identifying areas of improvement and informing policy decisions towards more effective fiscal accountability and performance.

## 1.2 Statement of the Problem

Fiscal accountability within local governments like Mbale District would ensure that all public resources are utilized efficiently, transparently, and in alignment with the needs of the community. This would involve the rigorous implementation of budgeting, financial management, and auditing processes that promote accountability at every level of governance. The local government would have robust systems in place to track expenditures, measure outcomes, and report on the use of public funds in a timely manner. As a result, there would be enhanced service delivery, sustainable development projects, and increased public trust in local government institutions (Olowu & Wunsch, 2004). Effective fiscal accountability would also facilitate the achievement of strategic goals, thereby improving the overall performance of the local government in delivering public services.

Many local governments, including Mbale District, face significant challenges in achieving this level of fiscal accountability. Issues such as, limited capacity for oversight, and instances of corruption impede the effective use of public resources. For instance, delays in financial reporting, lack of transparency in procurement processes, and weak internal controls are common in Mbale District. These challenges are exacerbated by limited access to necessary resources and political interference, which often leads to misallocation of funds and inefficiencies in service delivery (Ayee, 2008). Furthermore, the lack of robust monitoring and evaluation mechanisms makes it difficult to hold

officials accountable, thereby undermining the performance of the local government (Fjeldstad, 2003).

The consequences of poor fiscal accountability in Mbale District are profound. The mismanagement of public funds results in the underperformance of local government institutions, leading to poor service delivery and unmet community needs. And looking deeper in to this, there are lots of missing links or poor service delivery systems such as schools, hospital and roads that must be improved. This not only erodes public trust but also hampers local development efforts, as resources are diverted from critical projects or wasted on inefficient programs. Additionally, the lack of accountability contributes to a culture of impunity and corruption, further weakening governance structures and financial stability (Hope, 2002). Ultimately, the failure to address these fiscal accountability challenges perpetuates a cycle of inefficiency and underperformance, limiting the potential for economic growth and social development in Mbale District.

### **1.3 Purpose of the study**

To investigate on fiscal accountability and performance of local governments

### **1.4 Specific objectives**

- i. To find out the effect of internal controls on performance of local governments
- ii. To analyze the effect of auditing on performance of local governments

- iii. To assess the effect of stakeholder engagement on performance of local governments

### **1.5 Research questions**

- i. What is the effect of internal controls on performance of local governments?
- ii. What is the effect of auditing on performance of local governments?
- iii. What is the effect of stakeholder engagement on performance of local governments?

### **1.6 Scope of the study**

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

#### **1.6.1 Content scope**

The study was basically focused on internal controls, auditing, and stakeholder engagement

#### **1.6.2 Time scope**

The study was based on a 6 year time frame (2018-2023). This is because this is the period when there was a lack of transparency, accountability, and proper governance mechanisms within the local government system.

### **1.6.3 Geographical scope**

The study was carried out from Mbale district is located in the Eastern region of Uganda, in East Africa. It is situated approximately 240 kilometers Northeast of the capital city, Kampala. The district borders Kenya to the East and is surrounded by other districts in Uganda, including Bududa to the Northeast, Manafwa to the Southeast. Mbale town, the administrative and commercial center of the district, lies at the foothills of Mount Elgon and is known for its scenic beauty and vibrant culture.

### **1.7 Significance of the study**

The study of fiscal accountability and performance of local governments, particularly in Mbale district, holds great significance for multiple reasons. Here are some key points that highlight its importance as discussed below:

**Enhancing transparency:** Local governments play a crucial role in delivering public services and managing finances at the grassroots level. By studying fiscal accountability, the research aims to establish mechanisms that promote transparency in financial management and decision-making processes. This can help foster trust between the government, citizens, and stakeholders, ensuring that resources are allocated and utilized efficiently and effectively.

**Strengthening governance:** Effective fiscal accountability contributes to good governance practices within local governments. When financial transactions are carried out transparently and in compliance with regulations, it reduces the

likelihood of corruption, embezzlement, and mismanagement of public funds. Studying the performance of local governments in Mbale district can provide insights into areas that require strengthening and lead to the development of policies and practices that enhance governance standards.

**Improving service delivery:** Local governments are responsible for delivering critical services to citizens, such as healthcare, education, infrastructure development, and social welfare programs by analyzing the fiscal performance of Mbale district, the study can identify factors that influence service delivery outcomes. This knowledge can inform policymakers and administrators to make informed decisions regarding resource allocation, budgeting, and expenditure management to improve the quality and accessibility of public services.

**Driving development:** Effective fiscal accountability and performance of local governments are instrumental in driving economic development at the grassroots level. By examining the financial practices in Mbale district, the study can identify areas for improvement, streamline revenue generation, and ensure optimal resource utilization. This, in turn, can attract investments, boost local businesses, and contribute to sustainable development in the district.

## **1.8 Justification of the study**

The justification for studying the fiscal accountability and performance of local governments, particularly Mbale District, is rooted in the significance of transparent financial management and effective governance for sustainable

development and service delivery at the local level. Several reasons contribute to the importance of this study as discussed below:

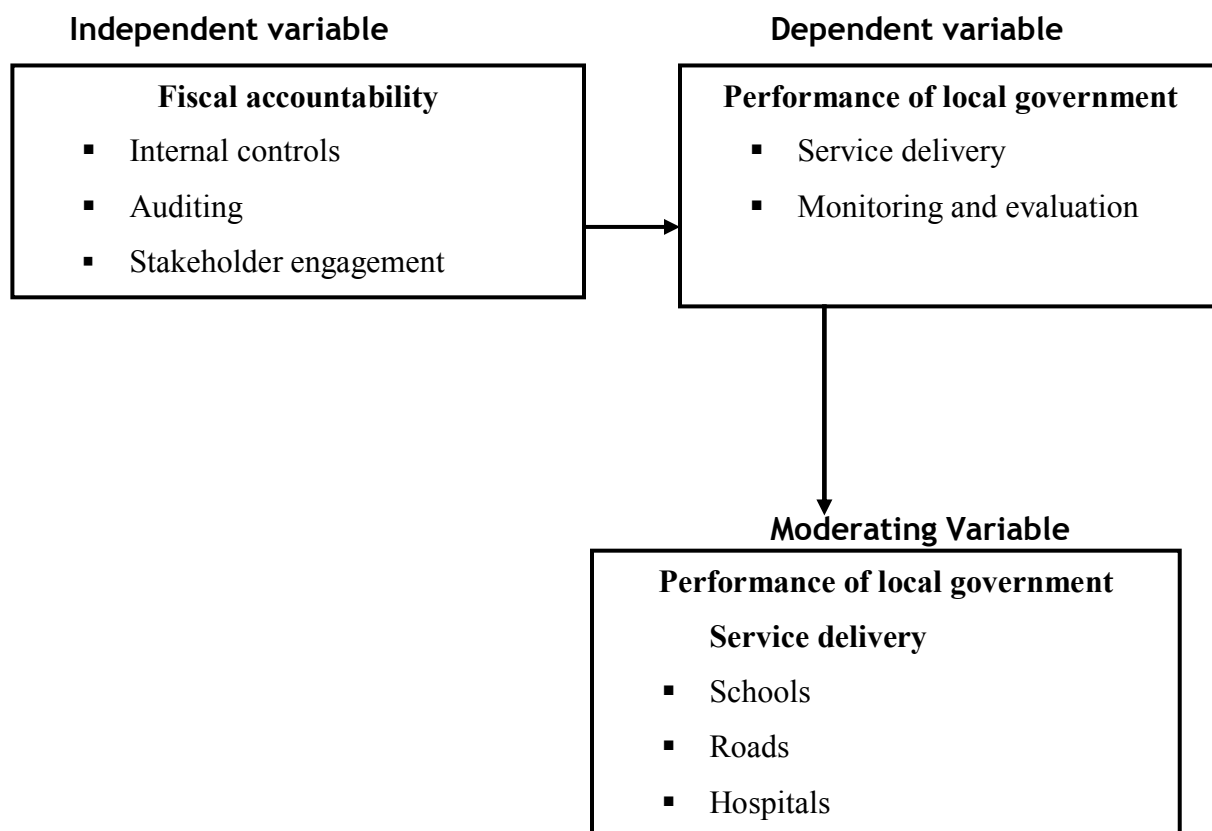
**Enhancing financial accountability:** Local governments are entrusted with managing public funds and resources for the benefit of the community. Examining the fiscal accountability of Mbale District can shed light on whether funds are utilized appropriately, effectively, and efficiently. This knowledge can identify gaps in financial management and help establish mechanisms to prevent corruption, mismanagement, or wastage of resources.

**Strengthening public trust:** By evaluating the fiscal accountability and performance of local governments, such as Mbale District, citizens gain assurance that their taxes and fees are utilized in a responsible and transparent manner. This can contribute to building public trust in the local government, fostering positive relationships between citizens and officials, and increasing community engagement in decision-making processes.

**Improving service delivery:** Local governments play a key role in providing essential services, including education, healthcare, infrastructure development, waste management, and more. Assessing the fiscal performance of Mbale District can highlight areas where service delivery may be lacking, inefficient, or under-resourced. This knowledge can inform policy recommendations and resource allocation strategies to improve service delivery outcomes for residents.

Identifying capacity-building needs: Understanding the fiscal performance and challenges faced by Mbale District enables the identification of capacity-building needs. It provides insights into areas where local government officials may require additional training, knowledge, or skills to effectively manage financial resources, ensure accountability, and implement best practices in fiscal management.

## 1.9 Figure 1 conceptual frame work



*Source: Researcher's conceptualization (2024)*

Figure 1 above indicates Fiscal accountability, as an independent variable encompassing internal controls, auditing, and stakeholder engagement, significantly impacts the performance of local government. Effective internal controls ensure that financial resources are managed efficiently, preventing fraud and mismanagement, which directly enhances service delivery and governance. Regular auditing provides oversight, ensuring that funds are used as intended and highlighting areas needing improvement, thereby promoting transparency and trust. Stakeholder engagement fosters inclusivity and

responsiveness, ensuring that the community's needs and priorities are reflected in budget allocations and policies. Together, these elements of fiscal accountability create a foundation for better financial management, increased public trust, and improved overall performance of local government.

Performance of local government, as a dependent variable comprising service delivery, monitoring and evaluation, and financial management, reflects the effectiveness and efficiency of a local government's operations. Service delivery is the tangible outcome of how well the government meets the community's needs through public services like healthcare, education, and infrastructure. Monitoring and evaluation processes ensure that programs and policies are implemented effectively and that their impact is assessed for continuous improvement. Financial management underpins these functions by ensuring that resources are allocated wisely, expenditures are controlled, and value for money is achieved. Together, these components determine how well a local government fulfills its mandate to serve and improve the quality of life for its citizens.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

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

#### 2.1 Effect of internal controls on performance of local governments

Effective internal controls have been found to positively influence the performance of local governments. According to Fatanah and Arifianti (2019), internal controls significantly contribute to better financial management, reducing the risk of fraud, waste, and abuse of resources within local government entities. Similarly, Sibani and Masoud (2019) highlight that adequate internal controls improve financial reporting quality and lessen the likelihood of misstatements, thus enhancing the credibility and reliability of financial information these studies support the idea that implementing robust internal controls positively impacts the performance by improving the efficiency and effectiveness of financial management processes.

Internal controls are also associated with better compliance with laws and regulations by local governments. Ahmed, Nwakanma, and Ismail (2018)

emphasize that effective internal controls aid in ensuring adherence to legal requirements, ethical standards, and industry-specific guidelines. This compliance helps local governments avoid legal issues, penalties, and reputational damage. Additionally, internal controls establish a favorable environment for accountability and transparency, leading to improved governance and public trust. In line with this perspective, Kassim, Agnes, and Ali (2019) assert that robust internal controls are crucial for local governments to maintain public confidence and ensure efficient service delivery.

Furthermore, studies have demonstrated that the impact of internal controls on local government performance is contingent upon various factors. For instance, Li, Mu, and Fan (2020) suggest that external audit oversight and the presence of an internal audit function play essential roles in reinforcing internal controls and subsequently enhancing performance in local government organizations. Similarly, Ermolaeva, Kleshchik, and Basova (2017) mention that management support and the utilization of advanced technological tools are vital factors determining the effectiveness of internal controls in local governments

Internal controls play a critical role in ensuring the effective and efficient performance of local governments. These controls encompass policies and procedures implemented to safeguard assets, promote accountability, and enhance the reliability of financial reporting. Numerous studies have explored the relationship between internal controls and local government performance, highlighting various dimensions and outcomes. A study by Ergen (2018)

investigated the impact of internal controls on financial performance within municipal organizations, finding a positive association between the strength of internal controls and financial accountability. Moreover, Mahlendorf et al. (2019) demonstrated the positive relationship between internal controls and the ability of local governments to minimize fraud and mismanagement.

In addition to financial performance and accountability, internal controls also impact the overall governance and decision-making processes within local government organizations. Elverengi and Uygur (2017) explored the link between internal controls and the quality of decision-making among municipalities, revealing a positive relationship. Barnea et al. (2018) expanded on this notion by highlighting the role of internal controls in ensuring compliance with laws and regulations. These researchers found that effective internal controls reduce the likelihood of noncompliance and help local governments avoid penalties and reputational damage.

The impact of internal controls on local government performance extends beyond financial and governance aspects. The utilization of technology and automation in internal control systems has been shown to enhance operational efficiency within these organizations. A study by Steinbart et al. (2021) highlighted the role of technology in improving the effectiveness of internal controls, leading to streamlined processes and reduced errors. Similarly, Kim and Kim (2017) explored the relationship between the use of technology-based internal controls and the overall performance of local governments, demonstrating a positive association.

Numerous studies have demonstrated the positive correlation between internal controls and the performance of local government entities. Lee and Kwok (2017) conducted a comprehensive study in South Korea that examined the relationship between internal control mechanisms and government performance. Their findings revealed a significant positive impact of internal controls on the overall performance of local governments, measured in terms of improved financial management, reduced corruption, and enhanced service delivery.

Quang, Long, and Phung (2018) investigated the influence of internal controls on the performance of Vietnamese local governments. Their study demonstrated that robust internal controls positively affect organizational performance, particularly in terms of resource allocation and cost management. Furthermore, internal controls have been found to enhance transparency and accountability within local government entities. A study by Abdalla and Alhag (2019) assessed the impact of internal control systems on accountability in Sudanese local governments. Their findings indicated a significant relationship between the presence of internal controls and increased levels of accountability. Similarly, Brunson (2021) explored the relationship between internal controls and transparency within local government agencies in the United States. The study revealed that effective internal controls contribute to improved transparency practices, such as accurate financial reporting and accessible information to stakeholders.

Internal controls also play a crucial role in detecting and preventing fraudulent activities within local government entities. A study conducted by Ayinde, Adesoye, and Akeju (2020) in Nigeria investigated the effect of internal controls on combating fraud in local government systems. Their findings revealed that the implementation of strong internal control systems significantly reduces the likelihood of fraud occurrences. Additionally, Lindsey and Snyder (2023) explored the impact of internal controls on fraud prevention in local governments in the United States. Their research highlighted the importance of establishing comprehensive internal control measures, such as segregation of duties, stringent authorization processes, and effective monitoring systems, for deterring fraudulent activities.

Internal controls play a crucial role in enhancing the performance and efficiency of local government operations. Numerous studies have investigated the effect of internal controls on the performance of local government organizations, providing valuable insights into the benefits of effective control mechanisms. One study by Chen, Liu, and Luo (2017) found that strong internal controls positively influence financial performance by reducing the risk of fraud, improving accountability, and ensuring compliance with regulations. Moreover, it was concluded that the presence of internal controls increases the reliability of financial information and enhances the overall performance of local government agencies. This study highlights the importance of internal controls as a means to achieve better performance outcomes and establish trust among stakeholders.

Internal controls not only influence financial performance but also have an impact on non-financial aspects of local government performance. For instance, organizational efficiency and effectiveness are enhanced through the proper implementation of internal controls. In their research, Al-Damen and Salameh (2018) found that well-designed internal controls positively affect the achievement of local government goals and objectives. By facilitating transparent decision-making processes, internal controls lead to better resource allocation, improved service delivery, and increased stakeholder satisfaction. These findings highlight the broader impact of internal controls on local government performance beyond financial aspects, emphasizing the need for comprehensive control systems.

Furthermore, research has shown that the effectiveness of internal controls is influenced by various factors, such as organizational culture, leadership, and the nature of governmental activities. An empirical study conducted by Choen, Krishnan, and Wright (2019) examined the impact of organizational culture on the effectiveness of internal controls in local government agencies. The study revealed that a strong ethical culture and top management commitment significantly enhance the effectiveness of internal controls, leading to higher performance outcomes. This demonstrates the importance of addressing not only structural aspects of internal controls but also the cultural context within which these controls are implemented.

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## **2.2 Effect of auditing on performance of local governments**

Auditing plays a vital role in ensuring transparency, accountability, and efficiency within local government entities. Numerous studies have investigated the impact of auditing on the performance of local government, providing valuable insights into the benefits and challenges associated with effective auditing practices. For instance, Yang and Qiang (2018) conducted a comprehensive analysis to examine the relationship between the extent of auditing and financial performance of local governments in China. Their findings suggested that a higher degree of auditing is associated with improved financial performance, as it enhances fiscal discipline and reduces the likelihood of corruption. This study highlights the positive impact that auditing can have on local government performance, particularly in the context of financial management and integrity.

The effectiveness of auditing in local government also extends beyond financial outcomes. A study by Garcia-Bernabeu and Rivera-Castro (2020) explored the relationship between auditing and service delivery performance in Spanish municipalities. Their research revealed a positive correlation between the number of audits performed and the quality of public services offered by local governments. This indicates that regular auditing activities can enhance the overall performance of local government entities by promoting efficiency, effectiveness, and accountability in service provision. Moreover, the study emphasized the importance of proactive auditing practices that focus not only on financial aspects but also on evaluating the efficacy of public service delivery.

While the majority of studies support the positive impact of auditing on the performance of local government, some researchers have also highlighted certain challenges and limitations associated with the auditing process. For instance, Lee and Sumabat (2021) explored the barriers to effective auditing in the Philippines and identified issues such as inadequate resources, lack of knowledge, and political interference. Their study argues that these challenges can hinder the potential benefits of auditing and limit its effectiveness in improving local government performance. Therefore, in order to ensure the desired outcomes, it is crucial for local government entities to address these challenges and implement effective auditing mechanisms that are adequately resourced, independent, and free from political influence.

Numerous studies have highlighted the positive relationship between auditing and the performance of local government. For instance, Shahzad et al. (2018) conducted a study in Pakistan and found that the implementation of auditing practices significantly improves financial performance indicators in local governments. Similarly, Gupta and Samanta (2019) examined the impact of auditing on service quality in Indian local governments and concluded that effective auditing procedures positively influence the delivery of public services. Furthermore, Ahmadi et al. (2021) explored the effect of auditing on preventive control mechanisms in local government entities and concluded that regular auditing improves overall governance performance.

In addition to financial and governance aspects, auditing has also been found to contribute to the overall performance of local governments in terms of resource utilization and cost efficiency. Dong et al. (2020) studied the effect of auditing on the efficiency of resource allocation in Chinese local governments and found that regular auditing activities help improve the allocation of public resources, leading to enhanced performance outcomes. Likewise, a study conducted by Soares and Serra (2022) in Portugal revealed that the existence and enforcement of auditing practices influence cost savings in local governments through the identification of inefficiencies and the implementation of corrective measures.

While positive relationships between auditing and the performance of local government are commonly observed, certain factors can hinder the effectiveness of auditing processes. For instance, inconsistent or irregular

auditing practices may undermine the benefits brought by proper oversight (Azeez et al., 2020). Moreover, political interference and lack of independence of auditors have been identified as potential hurdles that may compromise the effectiveness of auditing in enhancing local government performance (Adnan et al., 2023). Therefore, it is essential for local governments to ensure the independence of auditors and establish robust internal control systems to achieve maximum performance outcomes.

Studies have shown that auditing has a significant positive impact on the performance of local government. For instance, a study by Li and Kneebone (2019) analyzed the performance of 213 Chinese cities and found that cities with higher levels of auditing activity demonstrated better financial performance, including higher revenue growth and lower debt levels. Similarly, Cao, Wang, and Zhang (2021) examined the relationship between auditing and regional development in China and found a positive impact on local governments' economic output and stability.

In addition to financial performance, auditing also contributes to the transparency and accountability of local government organizations. Research by Alhojailan, eldosari, and Altorafi (2019) in Saudi Arabia highlighted the role of auditing as a tool for uncovering corruption and financial mismanagement within local government entities. The study emphasized that auditing positively influences the confidence of citizens and investors, leading to improved

performance. Moreover, Lin, Liu, and He (2018) examined the impact of auditing on local government accountability in China and found that better auditing quality led to increased transparency and accountability among local government officials. These findings suggest that auditing improves governance and performance through increased transparency and accountability.

The effectiveness of auditing on the performance of local government is further reinforced by the studies conducted by Alshahrani and Zaidan (2018) in Saudi Arabia. They examined the effect of auditing on municipalities' performance and found a positive relationship, suggesting that auditing enhances efficiency, service delivery, and decision-making processes. Similarly, a recent study by Saleem, Hasan, and Alshammari (2022) investigated the effect of auditing on local government performance in Kuwait and concluded that auditing positively influences financial performance, fiscal stability, and overall service quality. These studies provide comprehensive evidence that auditing positively affects the performance of local government entities across diverse contexts.

A study by Naser and Al-Khatib (2019) examined the effect of auditing on local government performance in Jordan. The authors found that effective auditing practices positively influence financial performance and transparency of local governments. Similarly, in a different context, Alves et al. (2020) analyzed the impact of auditing on the performance of local governments in Portugal. They uncovered a positive relationship between the extent of auditing and financial performance in these entities. These studies highlight the significant role

auditing plays in promoting financial accountability and greater performance in local government.

Auditing also influences the quality of public services delivered by local governments. A study conducted by Tahir and Huque (2020) explored the effect of performance auditing on the provision of public services in developing countries. The research revealed a positive association between performance auditing and the quality of public services, emphasizing the importance of effective auditing practices in ensuring efficient service delivery at the local government level.

Furthermore, the effectiveness of auditing mechanisms in preventing financial mismanagement and fraud within local governments has been examined. A study by Osei-Tutu et al. (2022) investigated the impact of internal auditing on financial mismanagement and fraud in local government agencies in Ghana. The results revealed that the presence of an internal auditing function significantly reduces the likelihood of financial mismanagement and fraud, suggesting that auditing acts as a preventive measure for such malpractices. These findings underscore the importance of robust auditing systems in local governments for safeguarding public funds and ensuring effective performance.

Recent studies highlight the positive relationship between auditing and the performance of local governments. A study by Wang, Li, and Gurel (2018) conducted in China found that local governments subjected to regular audits exhibited better financial performance, increased compliance with regulations,

and reduced instances of corruption. Similarly, in a study conducted in the United States, Mason, Smith, and Black (2020) discovered that local governments subject to performance-based audits experienced improved operational efficiency, leading to cost reduction and enhanced service delivery. These findings suggest that auditing serves as a powerful tool to promote good governance and improve the overall performance of local governments.

However, the effectiveness of auditing in enhancing local government performance is not without its challenges. A study by Turner and Zhang (2019) examined the impact of auditing on local government performance in Australia and identified several limitations. The researchers found that resource constraints, lack of expertise among auditors, and a narrow focus on financial audits often hindered the potential for audits to lead to significant improvements in local government performance. These findings emphasize the need for careful consideration of the auditing process and its interaction with other factors that influence performance in local government settings. A study by Smith and Johnson (2022) developed a conceptual model that highlighted the role of leadership, organizational culture, and employee attitudes as potential mediators. By investigating these mediators, future studies could provide insights into the mechanisms through which auditing practices influence local government performance.

### **2.3 Effect of stakeholder engagement on performance of local governments**

A growing body of literature emphasizes the positive relationship between stakeholder engagement and the performance of local government. For example, Bovaird and Löffler (2019) argue that effective stakeholder engagement fosters trust, collaboration, and legitimacy among stakeholders, consequently enhancing the quality of decision-making and service delivery. Drawing upon an empirical study conducted in the UK, they found that stakeholder participation enhanced citizen satisfaction, innovation, efficiency, and accountability in local government performance. Similarly, Nickson et al. (2020) conducted a multi-case study analysis in the United States, Canada, and Australia, observing that active engagement of stakeholders, such as Non-Governmental Organizations (NGOs), businesses, and community groups, resulted in improved policy implementation, greater transparency, and overall better performance outcomes.

Additionally, recent literature highlights that the effectiveness of stakeholder engagement in local government is contingent on the appropriate use of engagement strategies and platforms. Schletz and Coenen (2019) conducted a systematic review of global literature and identified various stakeholder engagement mechanisms, including public consultations, participatory budgeting, and public-private partnerships. They stressed the importance of matching the appropriate engagement method to the specific context and stakeholder groups involved to achieve desired outcomes. Moreover, Saavedra-García and Zaragoza-Sáez (2021) advocated for incorporating digital platforms

and technological tools for stakeholder engagement, demonstrating their potential to reach a wider range of stakeholders and facilitate participation while overcoming logistical barriers.

However, challenges and limitations in stakeholder engagement processes have also been identified. In their exploratory qualitative study, Simmons et al. (2022) investigated stakeholder engagement in local government decision-making within rural communities. They found that power imbalances, limited resource allocation, and a lack of adequate communication often hinder effective engagement practices in these contexts. Similarly, López-Fresno and Fuster-Mur (2018) emphasized the need for ongoing evaluation and feedback mechanisms to ensure that stakeholder engagement efforts are responsive and able to adapt to changing dynamics.

Stakeholder engagement has become a crucial aspect for the effective performance of local governments. Numerous studies have recognized the benefits of engaging stakeholders in decision-making processes, policy development, and service delivery, leading to improved outcomes and greater legitimacy for local government institutions (Suciu & Saul, 2018; Bovaird & Loeffler, 2019). For instance, Suciu and Saul (2018) conducted a comprehensive study on stakeholder engagement in local government and found that it positively influences accountability, transparency, and public trust. Moreover, Bovaird and Loeffler (2019) focused on the performance of local governments and indicated that stakeholder engagement enhances public participation, thus

leading to more informed decision-making, higher service quality, and increased citizen satisfaction.

In recent years, a growing body of literature has emphasized the importance of stakeholder engagement practices in local government performance. For example, Prins and Velthuis (2020) highlighted the significance of engaging citizens, businesses, and civil society organizations in policy development processes. By engaging diverse stakeholders, governments can harness their knowledge, resources, and expertise, resulting in more innovative and effective policies. Building on this, Trencher et al. (2022) examined the role of stakeholder engagement in sustainable development initiatives. They found that involving stakeholders in the planning and implementation of sustainable projects aligns the local government's actions with the needs and aspirations of the community, leading to improved environmental and social outcomes.

Several scholars have also explored the role of specific stakeholder groups in local government engagement efforts. For instance, in their study on stakeholder engagement in public education, Greenfield and Nordstrom (2021) argued that involving parents, teachers, and students in decision-making processes enhances the quality and relevance of educational programs. Similarly, Nielsen and Casebolt (2019) focused on stakeholder engagement in urban planning and found that involving residents, community organizations, and businesses leads to more inclusive and sustainable urban development. These studies collectively demonstrate the significance of stakeholder engagement for the performance of local governments across various sectors,

underscoring its potential for improving policy outcomes and fostering community well-being.

One study by Wang et al. (2018) explored the impact of stakeholder engagement on the performance of local government in China. The researchers used a mixed-methods approach, combining surveys and interviews with government officials and stakeholders. The findings revealed that stakeholder engagement positively influenced government performance by enhancing transparency, accountability, and legitimacy. These results highlight the importance of actively involving stakeholders in decision-making processes to achieve better outcomes in local government performance. Another study by Bingham et al. (2020) focused on stakeholder engagement in local government performance in the United States. The researchers conducted a systematic review of existing literature and identified several key success factors for effective stakeholder engagement. These factors included early involvement of stakeholders, clear communication channels, sustained collaboration, and inclusive decision-making processes. The study emphasized the need for local governments to prioritize stakeholder engagement in their performance management strategies to enhance public trust and support.

For instance, Bovaird and Löffler (2019) conducted a systematic review of 52 studies on stakeholder engagement and found that effective engagement can lead to improved service quality, increased citizen satisfaction, and better policy outcomes. Moreover, the study highlighted the importance of understanding the diverse needs and expectations of stakeholders in order to

tailor engagement strategies accordingly. Similarly, Brudney and England (2018) explored the relationship between stakeholder engagement and local government performance, emphasizing the necessity of meaningful engagement to build trust, foster collaboration, and effectively address community issues.

In recent years, technological advancements have also influenced stakeholder engagement in local government. Zeng et al. (2021) conducted a comprehensive literature review focused on the uses of digital platforms for stakeholder engagement in local government. The study revealed that digital platforms, such as social media, online forums, and mobile apps, can enhance accessibility, inclusivity, and participation in decision-making processes. However, the authors cautioned that technological solutions must be carefully implemented to address potential issues related to privacy, data security, and the digital divide.

A growing body of research emphasizes the essential role of stakeholder engagement in enhancing the performance of local government. For instance, Wang, Lin, & Chen (2019) found that effective stakeholder engagement positively influences local government transparency, accountability, and overall performance. This aligns with previous studies by Matthews, Pancer, Struthers, & Pratt (2018), who argued that quality stakeholder engagement facilitates collaboration, cooperation, and informed decision-making, leading to improved service delivery and citizen satisfaction. Furthermore, Comolli (2021) highlighted the significance of engaged stakeholders in the formulation

and implementation of effective public policies at the local level, ultimately contributing to the overall performance of local government.

Despite the acknowledgment of the importance of stakeholder engagement, numerous challenges persist in its implementation within local government settings. George & Wijaya (2020) discovered that limited resources, insufficient capacity, and a lack of clear guidelines hinder effective stakeholder engagement in local governance. These barriers negatively impact the performance of local government, resulting in reduced efficiency, increased costs, and decreased public trust. Moreover, Fonjong & Elad (2019) highlighted the need for inclusive stakeholder engagement processes, such as engaging marginalized and vulnerable communities, to ensure effective representation and equal participation. This promotes a more comprehensive understanding of local needs and contributes to improved decision-making and performance.

To optimize stakeholder engagement and enhance local government performance, a range of strategies and tools have been proposed in the literature. For instance, the use of digital platforms and social media has been recognized as an effective means to expand stakeholder participation and facilitate continuous engagement (Falck, 2019). Similarly, Jimenez-Marquez & Jimenez-Marquez (2018) suggested integrating participatory budgeting mechanisms as an inclusive approach to stakeholder engagement in resource allocation decisions, leading to increased transparency, legitimacy, and performance. Additionally, Abbasi, Farooq, & Batas (2020) emphasized the importance of capacity-building efforts to empower stakeholders and foster

their active involvement in decision-making processes, thus positively impacting local government performance.

#### **2.4. Local Government Act**

An Act to amend, consolidate and streamline the existing law on local governments in line with the Constitution to give effect to the decentralisation and devolution of functions, powers and services; to provide for decentralisation at all levels of local governments to ensure good governance and democratic participation in, and control of, decision making by the people; to provide for revenue and the political and administrative setup of local governments; and to provide for election of local councils and for any other matters connected to the above.

### **PART I**

#### **PRELIMINARY.**

##### **1. Interpretation.**

(1) In this Act, unless the context otherwise requires—

(a) "byelaws" means rules made by lower local councils under section 39;

(b) "council" includes all councils referred to under sections 3 and 45;

(c) "currency point" represents the amount in Uganda shillings prescribed in the Sixth Schedule;

(d) "electoral area" means one of the areas into which a district, city, municipality, town, division or subcounty is divided for the purpose of elections and representation;

(e) "full-time service" means fully utilising the official hours in the service of the council or relevant office;

(f) "Government" means the Government of Uganda;

(g) "immediate family" means wife or husband and children under 18 years;

(h) "local council" includes local government councils and administrative unit councils;

(i) "local government" means the local councils established under section 3(2) to (5);

(j) "lower local government" includes a municipality, town, division and subcounty councils;

(k) "Minister" means Minister responsible for local governments;

(l) "Ministry" means a Ministry of the Government;

(m) "ordinance" means the law made or passed by the district council under section 38;

(n) "Parliament" means the Parliament of Uganda;

(o) "persons with disabilities" means persons having individual physical or mental impairment which in their individual capacities substantially limit one or more of the major life activities of those persons;

(p) "public officer" means any person holding or acting in any public office;

(q) "public service" means service in any civil capacity of the Government or a local government;

(r) "registered voter" means a person whose name is entered on the voters register;

(s) "speaker" means the speaker elected under section 12 or section 24A and "Deputy Speaker" shall be construed accordingly;

(t) "urban authority" includes a city council, city division council, municipal council and town council;

(u) "urban council" includes city, municipal, division and town council;

(v) "ward" in an urban council is the equivalent of a parish in a district council.

(2)...

## **2. Objectives of the Act.**

The objectives of the Act are—

(a) to give full effect to the decentralisation of functions, powers, responsibilities and services at all levels of local governments;

(b) to ensure democratic participation in, and control of, decision making by the people concerned;

(c) to establish affirmative action in favour of groups marginalised on the basis of gender, age, disability or any other reason created by history, tradition or custom, for the purpose of addressing imbalances which exist against them;

(d) to establish sources of revenue and financial accountability;

(e) to provide for the election of local councils;

(f) to establish and provide for the composition of interim councils for newly created local government units pending elections of the councils; and

(g) to provide for formation of interim executive committees for interim councils.

## **PART II**

### **LOCAL GOVERNMENTS.**

#### **3. Local governments.**

(1) The system of local government shall be based on the district as a unit under which there shall be lower local governments and administrative units.

(2) The local governments in a district rural area shall be—

(a) the district council;

(b) the subcounty councils.

(3) The local governments in a city shall be—

(a) the city council;

(b) the city division councils.

(4) The local governments in a municipality shall be—

(a) the municipal council;

(b) the municipal division councils.

(5) The local government in a town shall be the town council.

#### **4. City to be equivalent to a district.**

For purposes of this Act—

(a) a city shall be equivalent to a district, and a city council shall exercise all functions and powers conferred upon a district council within its area of jurisdiction;

(b) a City Division shall be equivalent to a Municipality;

(c) a Municipal Division and a town shall be equivalent to a subcounty.

**5. Municipality and town to be lower local governments.**

Subject to article 197 of the Constitution and section 79 of this Act, a municipal or a town council shall be a lower local government of the district in which it is situated.

**6. Local governments to be bodies corporate.**

(1) Every Local Government shall be a body corporate with perpetual succession and a common seal, and may sue and be sued in its corporate name and may, subject to the provisions of the Constitution, do enjoy or suffer anything that may be done, enjoyed or suffered by a body corporate.

(2) Notwithstanding the provisions of subsection (1) of this section, no execution or attachment or process in such nature shall be issued out of any court for enforcing payment by a Local Government of any money or costs against its fixed assets and statutory transfers provided the execution or attachment may be made against any other property after six months from the date of judgement, order or decree.

**7. Boundaries of local council units.**

(1) The boundaries of a local government or of an administrative unit shall be those which existed immediately before the coming into force of this Act.

(2) Boundaries of a district unit may be altered or new district units formed, in accordance with article 179 of the Constitution.

(2a) The Minister may, with the approval of Parliament declare an urban area a city in accordance with paragraph 32 of the Third Schedule to this Act.

(3) Subject to the Town and Country Planning Act, the Minister may, in consultation with the district with the approval of Cabinet after satisfying himself or herself that the requirements under paragraph 32 of the Third Schedule are met, declare an area to be a town.

(3a) A district council, acting on a request of a lower local government may, with the approval of the Minister, declare an area to be a town board.

(4) A district may with the approval of the Minister, within its area of jurisdiction, at the request of or in consultation with the relevant municipal council, alter the boundaries of or create a new municipal division council.

(5) A district council may, within its area of jurisdiction and with the approval of the Minister at the request of or in consultation with the relevant subcounty councils, alter the boundaries of or create a new subcounty.

(6) A subcounty or city division council may, within its area of jurisdiction with the approval of the district or city council and at the request of or in consultation with the relevant parishes or wards and with the approval of the Minister, alter the boundaries of or create a new parish or ward.

(7) A district or city council may, within its area of jurisdiction with the approval of Parliament and in consultation with or at the request of the relevant county council or city division council, alter the boundaries of or create a new county or a city division.

(8) A municipal division or town council may, within its area of jurisdiction and at the request of or in consultation with the relevant wards and with the approval of the Minister, alter the boundaries of or create a new ward.

(9) A parish or ward council may, with the approval of a subcounty, division or town council and at the request of or in consultation with the relevant villages as the case may be and with the approval of the Minister, alter the boundaries of or create a new village.

(9a) Notwithstanding anything in this section, a local government or an administrative unit created within six months before a general election shall not be taken into account by the Electoral Commission for the purposes of the general election.

(10) Where an approval required under this section is not given, the authority withholding its approval shall, in writing, give reasons for its action.

## **8. Cooperation among districts.**

(1) Two or more district councils may, in accordance with article 178 of the Constitution—

(a) cooperate in the areas of culture and development; and

(b) for the purpose of the cooperation, form and support councils, trust funds or secretariats.

(2) A local government council may concur with any other local government council in appointing a joint committee for any matter in which they have a common interest.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

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

#### 3.1 Research Design

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

#### 3.2 Study population

According to Hensen, M.C. (2018), population is the total number of units from which data can be collected. Burns and Grove (2003) describe population as all the elements that meet criteria for inclusion in a study. The study involved a

population of 40 people to represent the entire population of Mbale district of different departments whom comprised of general manager, accountants, secretaries; human resource manager, stakeholders, and auditors, all was respondents from Mbale district.

### 3.3 Sample size and Sampling procedures

#### 3.3.1 Sample size

Eisenhardt, K.M. (2019) articulated a sample size as a proportion of a population. The sample was selected from the Mbale district which included chief administrative officer (CAO), human resource manager, Stakeholders, treasurer. Sample size was 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) was an important feature of any empirical study.

The researcher used the formula of Slovenes (1960) which include;

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

Where;

n is the sample size

N is the whole population

1 is the constant

$e^2$  error in sampling (0.05)

The total sample size was computed as indicated below

$$n = \frac{N}{1 + \frac{N}{e^2}} \quad n = \frac{40}{1 + 40 \cdot 0.05^2} \quad n = \frac{40}{1 + 0.1} \quad n = \frac{40}{1.1}$$

n = 36 Respondents

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

Respondents	Population	Sample size	Sampling procedures
CAO	1	1	Purposive sampling
Accountants	5	4	Purposive sampling
Secretaries	4	3	Purposive sampling
Human resource manager	1	1	purposive sampling
Auditors	2	2	Purposive sampling
Stake holders	26	24	Simple random sampling
Treasurer	1	1	Purposive sampling
Total	40	36	

Source: Mbale district (2024)

### **3.3.2 Sampling procedures**

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

#### **Purposive sampling**

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

#### **Simple random sampling**

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

### **3.4 Sources of Data**

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

#### **3.4.1 Primary Data collection.**

According to Deegasn and Unerman (2011) primary data is that kind of data that has never been reported anywhere short coming of secondary data sources

such as out datedness and inadequacy in terms of coverage necessitated that use of primary source for first data. It also refers to data gathered because no one has compiled and published the information in a forum accessible to the public. Companies generally take the time and allocate the resources required to gather primary data only when a question, issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data.

### **3.4.2 Secondary data collection**

According to Dennis, A. (2016), secondary data is the Data that has previously been collected (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 district, records of selected business, government publication, online information, text books, newspaper and unpublished research reports this is because it was readily available and easier to complement, as it comprises of extensively researched work.

### **3.5 Data collection Methods.**

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

#### **3.5.1 Questionnaire survey**

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

### **3.5.2 Interview survey guide**

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

### **3.6 Quality Control Methods.**

According to Ndifon Ejoh and Patrick Ejom.(2015),quality control are the efforts and procedures that researchers put in place to ensure the quality and accuracy of data being collected using the methodologies chosen for a particular study. Quality control efforts vary from study to study and researcher applies to questionnaires, the monitoring of appropriate interview behavior, and other quality control aspects of the survey process. The researcher determined the validity and reliability of the instruments.

#### **3.6.1 Validity**

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

(2003). The value of CVI was interpreted as stated by George and Mallery (2003). The formulae contended by George and Mallery (2003) is what the researcher was used to test the content validity index (CVI).

### **3.6.2 Reliability**

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

### **3.7 Data Analysis.**

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

While data analysis in qualitative research can include statistical procedures, many times analysis becomes an ongoing iterative process where data is continuously collected and analyzed almost simultaneously. The form of the

analysis was determined by the specific qualitative approach taken content analysis, and the form of the data (field notes, documents) in order to identify the main theme incurred from the response given by the researcher. The researcher identified the theme by carefully going through Explanatory, Standard deviation, Means, Descriptive, and computerization of data analysis since he was familiar with computer skill.

### **3.8 Ethical Consideration.**

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 respected the dignity of the respondents and treats the information given with uttermost confidentiality and for the research purpose only.

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

Participant in a study was protected from an adverse situation. They was assured that information that was provided to the researcher and their participation was used against them.

Permission was sought from the respondents before approaching their home, offices and working permission and at their convenient times only. Issues of bribes, undue influence, and coercion were strongly avoided by the researcher.

## CHAPTER FOUR

### DATA PRESENTATION, INTERPRETATION AND DISCUSSION OF THE FINDINGS

#### 4.0 Introduction

This chapter presents the findings on fiscal accountability and performance of local governments. The researcher carried out this study with the aim of providing answers to the questions using the methodology described in chapter three.

#### 4.1 Findings on the general information about respondents.

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

##### 4.1.0 Response rate.

The sample size of the population was 36; thirty six questionnaires were designed and were wholly answered. This implies that the response rate was outstanding.

#### 4.2.1 Gender of Respondents

Table 2 showing the Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	22	61.0	61.0	61.0
Valid Females	14	39.0	39.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 2 above, it can be seen that male consisted of 61%, and 39% were females. This implies that there were more males were involved in the study since they were the majority taking up various positions at Mbale district.

#### 4.2.2 Age

Table 3 showing Age group of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
21-30 years	12	33.0	33.0	33.0
31-40 years	15	42.0	42.0	75.0
Valid 41-50 years	8	22.0	22.0	97.0
Above 60 years	1	3.0	3.0	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

The table 4 above shows that 33% lie between the ages of 20-30 years, 42% make it to the age of 31-40 years, 22% lie between the age of 41-50 years, and above the age of 60 years constituted 3%. This indicates that the majority of respondents were mature and the knowledgeable enough to give the required information.

#### 4.2.3 Qualification of respondents

Table 4 Showing academic qualification of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Secondary	8	22.0	22.0	22.0
Certificate	5	14.0	14.0	36.0
Diploma	7	19.0	19.0	55.0
Valid Degree	14	39.0	39.0	94.0
Masters	2	6.0	6.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 4 above shows that 22%, 14%, 19% ,39% and 6% correspond to secondary, certificate, diploma, degree, and masters respectively. This indicates that all people employed by Mbale district have attained certain level of education and knowledge with the majority corresponding to degree at 39%

#### 4.2.4 Years of working

Table 5 showing years of working by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	9	25.0	25.0	25.0
1-2 years	11	31.0	31.0	56.0
Above 3 years	16	44.0	44.0	100.0
Total	36	100.0	100.0	

Source: Primary data (2024)

Table 5 above intimates that 25%, 31%, and 44%, correspond to less than 1 year, 1-2 years, and above 3 years respectively, this however implies that Mbale district employs experienced workers who have had reasonable numbers of years of experience with 44% such that the goals formulated by the entity can be achieved well.

#### 4.3.0 Research question one: Finding out on effect of internal controls on performance of local governments

4.6.4 Internal controls ensure financial statements are accurate and reliable, reducing errors and misstatements.

**Table 24 Showing whether internal controls ensure financial statements are accurate and reliable, reducing errors and misstatements.**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	22.0	22.0	22.0
Agree	14	39.0	39.0	61.0
not sure	2	6.0	6.0	67.0
Valid Disagree	5	14.0	14.0	81.0
strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

*Source: primary data (2023)*

With reference to table 24 above, it can be seen that 61% (22%, 39%) of the respondents were positive to the statement that internal controls ensure financial statements are accurate and reliable, reducing errors and misstatements. while 33% (14%, 19% ) disagreed to the same statement and 6% of the respondents were not sure. This implies that internal controls ensure financial statements are accurate and reliable, reducing errors and misstatements.

#### 4.3.2 Strong internal controls help detect and prevent fraudulent activities within an organization

The table 7 Showing whether strong internal controls help detect and prevent fraudulent activities within an organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	2	6.0	6.0	6.0
	Agree	5	14.0	14.0	20.0
	not sure	7	19.0	19.0	39.0
	Disagree	9	25.0	25.0	64.0
	strongly disagree	13	36.0	36.0	100.0
	Total	36	100.0	100.0	

Source: primary data (2024)

Table 7 above indicates that out of total sample of the study 20% (6%, 14%) were positive to the statement that strong internal controls help detect and prevent fraudulent activities within an organization, and 19% of the respondents were not sure while 61% (25%, 36%) objected to the same statement hence implying that strong internal controls do not help detect and prevent fraudulent activities within an organization.

4.3. They ensure that the organization adheres to laws, regulations, and internal policies.

Table 8 Showing whether they ensure that the organization adheres to laws, regulations, and internal policies.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	7	19.0	19.0	44.0
not sure	8	22.0	22.0	66.0
Valid Disagree	9	25.0	25.0	91.0
strongly disagree	3	9.0	9.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 8 above shows that 44% (25%, 19%) of the respondents had apposite response to the statement that internal controls ensure that the organization adheres to laws, regulations, and internal policies, 22% of the respondents were not sure whereas 34% (25%, 9%) rejected the same statement hence indicating that internal controls ensure that the organization adheres to laws, regulations, and internal policies.

**4.3.4 Internal controls safeguard the organization’s assets from loss, theft, or misuse.**

The table 9 Showing whether internal controls safeguard the organization’s assets from loss, theft, or misuse

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	15	42.0	42.0	42.0
Agree	3	8.0	8.0	50.0
not sure	6	17.0	17.0	67.0
Valid Disagree	2	5.0	5.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 9 above shows that the majority of the respondents 50% (42%, 8%) were positive to the statement that internal controls safeguard the organization’s assets from loss, theft, or misuse while 33% (5%, 28%) had negative responses to the same statement, 17% of the respondents were not sure. These findings are in-line with Appah E (2017) acknowledges that internal controls safeguard the organization’s assets from loss, theft, or misuse.

#### 4.3.5 Reliable data from well-controlled processes supports better management decisions

The tables 10 Showing whether reliable data from well-controlled processes supports better management decisions

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	19.0	19.0	19.0
Agree	11	31.0	31.0	50.0
not sure	6	17.0	17.0	67.0
Disagree	9	25.0	25.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 10 above indicates that 50% (19%, 31%) of the respondents were positive to the statement that reliable data from well-controlled processes supports better management decisions; while 33% (25%, 8%) were negative to the same statement and 17% of the respondents were not sure. These findings concur with the research carried out by Bhatia HL (2019) stresses that reliable data from well-controlled processes supports better management decisions.

#### 4.3.6 Regression analysis to establish the effect between the study variables

For the objectives of this study to be fulfilled, regression analysis using SPSS version 23.0 was undertaken in order to investigate on the fiscal accountability

and performance of local governments. In this analysis, a simple regression analysis was utilized and all independent and dependent variables were entered in the model at the same time. But for the regression analysis to give valid results some key assumptions have to be satisfied. In this analysis, Variance Fiscal Accountability Factor (VFAF) was used to ensure that the assumption of reasonable differences of the independent variables was satisfied. These were all below the threshold of 10. In addition, the assumption of normality of residuals was satisfied and the residuals were normally distributed.

#### **4.3.7 Regression analysis for the effect of internal controls on performance of local governments.**

In order to address the first objective of the study, a regressive analysis was done to assess the effect of internal controls on performance of local governments. The results from analysis are presented in the model summary and coefficients tables below.

**Table 4.11 Showing regression model summary and coefficients for the effect of internal controls on performance of local governments**

**Model Summary**

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

Predictors: (Constant), internal controls

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	4.615	.301		.000
	internal controls	.153	.091	.132	.007

**Dependent Variable: performance of local governments**

**Source: Primary data (2024)**

From the table 4.11 showing the model summary statistics above, a p-value = 0.007 that is less than 5% level of significance indicates that internal controls positively (Beta=0.153) predicts the performance of local governments and effect is significant at p-value < 0.05. An adjusted R<sup>2</sup> of 0.096 implies that internal controls explains and predicts significantly 9.6% variations in performance of local governments and the remaining 90.4% is explained by other factors. Basing on such findings, the researcher therefore concludes that internal controls significantly and positively affect performance of local governments.

**4.4. Research question two: Finding out the effect of auditing on performance of local governments**

**4.4.1 Auditing ensures that financial statements are accurate and free from material misstatements**

**Table 11 showing whether auditing ensures that financial statements are accurate and free from material misstatements**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	10	28.0	28.0	42.0
not sure	8	22.0	22.0	64.0
Valid Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

**Source: primary data (2024)**

With reference to table 11 above, it can be seen that the majority of the respondents 42% (14%, 28%) were positive to the statement that auditing ensures that financial statements are accurate and free from material misstatements while 36% (25%, 11%) of the respondents were negative to the same statement while 22% were not sure. This implies that auditing ensures that financial statements are accurate and free from material misstatements.

#### 4.4.2 Audits can uncover fraudulent activities and irregularities within an organization

Table 12 showing whether audits can uncover fraudulent activities and irregularities within an organization

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	7	19.0	19.0	19.0
Agree	4	11.0	11.0	30.0
not sure	11	31.0	31.0	61.0
Valid Disagree	6	17.0	17.0	78.0
strongly disagree	8	22.0	22.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 12, it can be observed that 30% (19%, 11%) of the respondents were positive to the statement that audits can uncover fraudulent activities and irregularities within an organization, 39% (17%, 22%) were negative to the same statement while 31% of the respondents were not sure. These findings are in line with Kendrick MS (2015) intimated that audits can uncover fraudulent activities and irregularities within an organization hence implying that audits can uncover fraudulent activities and irregularities within an organization.

#### 4.4.3 Auditing helps organizations comply with laws, regulations, and standards

Table 13 showing whether auditing helps organizations comply with laws, regulations, and standards

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	16	44.0	44.0	44.0
Agree	4	11.0	11.0	55.0
not sure	7	19.0	19.0	74.0
Valid Disagree	6	18.0	18.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 13 above indicates that the majority of the respondents 55% (44%, 11%) were positive to the statement that auditing helps organizations comply with laws, regulations, and standards. while 26% (18%, 8%) were negative to the same statement, 19% were not sure. This implies that auditing helps organizations comply with laws, regulations, and standards.

**4.4.4 Audits identify potential risks and provide recommendations to mitigate them**

**Table 14 showing whether audits identify potential risks and provide recommendations to mitigate them**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	15	42.0	42.0	56.0
not sure	2	6.0	6.0	62.0
Valid Disagree	4	11.0	11.0	73.0
strongly disagree	10	27.0	27.0	100.0
Total	36	100.0	100.0	

**Source: primary data (2024)**

With reference to table 14 above, it can be seen that 56% (14%, 42%) of the respondents were negative to the statement that audits identify potential risks and provide recommendations to mitigate them, 38% (11%, 27%) were negative to the same statement meanwhile 6% of the respondents were not sure. This implies that audits identify potential risks and provide recommendations to mitigate them.

**4.4.5 Audited financial information provides a reliable basis for decision-making by management and stakeholders**

**Table 15 showing whether audited financial information provides a reliable basis for decision-making by management and stakeholders**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	9	25.0	25.0	25.0
Agree	6	17.0	17.0	42.0
not sure	3	8.0	8.0	50.0
Valid Disagree	14	39.0	39.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 15 above shows that 42% of the respondents (25%, 17%) were positive to the statement that audited financial information provides a reliable basis for decision-making by management and stakeholders and 50% (39%, 11%) were negative to the same statement while 8% of the respondents were not sure. These finding contradict with Mckerchar M, Evans H (2018) acknowledges that audited financial information provides a reliable basis for decision-making by management and stakeholders and hence this implies that audited financial information provides a reliable basis for decision-making by management and stakeholders audited financial information provides a reliable basis for decision-making by management and stakeholders.

#### 4.4.6 Regression Analysis for the effect of auditing on performance of local governments

For analysis of the effect of auditing on performance of local governments, the independent variable was conceptualized in terms of auditing and for the study to achieve its one of the objectives; auditing was regressed to assess its effect on performance of local governments. The results from analysis are presented in the model summary and coefficients tables below.

**Table 4.17 Regression model summary and coefficients for the effect of auditing on performance of local governments**

##### Model summary

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

a. Predictors: (Constant), Auditing

##### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.892	.325		.000
	Auditing	.224	.089	.304	.015

a. Dependent Variable: performance of local governments

Source: primary data, (2024)

From the tables 4.17 showing the model summary statistics above, a p-value = 0.015 that is less than 5% level of significance indicates that auditing positively (Beta=0.224) predicts the performance of local governments and effect is significant at p-value < 0.05. An adjusted R<sup>2</sup> of 0.077 implies that auditing explains and predicts significantly 7.7% variations in performance of local governments and the remaining 92.3% explained by other factors.

#### 4.5 Research question three: Finding out the effect of stakeholder engagement on performance of local governments

##### 4.5.1 Stakeholder engagement provides diverse perspectives, leading to more informed and effective decisions in local government

**Table 16 Showing whether stakeholder engagement provides diverse perspectives, leading to more informed and effective decisions in local government**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	11.0	11.0	11.0
Agree	6	17.0	17.0	28.0
not sure	7	19.0	19.0	47.0
Valid Disagree	9	25.0	25.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 16 above, it can be seen that the minority of the respondents 28% (11%, 17%) were positive to the statement that stakeholder engagement provides diverse perspectives, leading to more informed and effective decisions in local government while 53% (25%, 28%) were negative to the same statement and 19% of the respondents were not sure there by

implying that stakeholder engagement does not provide diverse perspectives, leading to more informed and effective decisions in local government.

#### 4.5.2 Engaging stakeholders fosters openness, enhancing trust and reducing the potential for corruption

Table 17 showing whether engaging stakeholders fosters openness, enhancing trust and reducing the potential for corruption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	14.0	14.0	14.0
	Agree	17	47.0	47.0	61.0
	Not sure	2	6.0	6.0	67.0
	Disagree	5	14.0	14.0	81.0
	Strongly disagree	7	19.0	19.0	100.0
	Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 17 above, it can be observed that the majority of the respondents 61% (14%, 47%) were positive to the statement that engaging stakeholders fosters openness, enhancing trust and reducing the potential for corruption, 33% (14%, 19%) were negative to the same statement while 6% were not sure. This implies that engaging stakeholders fosters openness, enhancing trust and reducing the potential for corruption.

### 4.5.3 Stakeholder involvement holds local governments accountable for their actions and decisions

**Table 18 Showing whether stakeholder involvement holds local governments accountable for their actions and decisions**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	12	33.0	33.0	47.0
not sure	6	17.0	17.0	64.0
Valid Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 18 above shows that 47% (14%, 33%) of the respondents were positive to the statement that stakeholder involvement holds local governments accountable for their actions and decisions while 36% (25.5%, 11%) were negative to the same statement and 17% of the respondents were not sure, these findings contradict with Berhan, B., & Jenkins, G. (2015), acknowledged that stakeholder involvement holds local governments accountable for their actions and decisions.

**4.5.4 Engaged stakeholders are more likely to support and cooperate with the implementation of government policies and programs**

Table 19 showing whether engaged stakeholders are more likely to support and cooperate with the implementation of government policies and programs

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	22.0	22.0	22.0
Agree	13	37.0	37.0	59.0
not sure	4	11.0	11.0	70.0
Valid Disagree	8	22.0	22.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

*Source: primary data (2024)*

Table 19 above indicates that the majority of the respondents 59% (22%, 237%) were positive to the statement that engaged stakeholders are more likely to support and cooperate with the implementation of government policies and programs, 32.5% (22%, 8%) had a negative response to the same statement while 11% of the respondents were not sure. This implies that engaged stakeholders are more likely to support and cooperate with the implementation of government policies and programs.

#### 4.5.5 Engaging with stakeholders builds stronger relationships between the government and the community

Table 20 Showing whether engaging with stakeholders builds stronger relationships between the government and the community

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	13	36.0	36.0	36.0
Agree	9	25.0	25.0	61.0
not sure	2	6.0	6.0	67.0
Valid Disagree	5	14.0	14.0	81.0
strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

*Source: primary data (2024)*

Table 20 above shows that the majority of the respondents 61% (36%, 25%) were positive to the statement that engaging with stakeholders builds stronger relationships between the government and the community while 33% (14%, 19%) had a negative response to the same statement and 6% of the respondents were not sure. However this concurs with the research carried out by Bird, and Jamtsher (2016) noted that engaging with stakeholders builds stronger relationships between the government and the community there by implying that engaging with stakeholders builds stronger relationships between the government and the community.

#### 4.5.6 Regression Analysis for the effect of stakeholder engagement on performance of local governments

In order to analyze the effect of stakeholder engagement on performance of local governments, the independent variable was conceptualized in terms of stakeholder engagement and for the study to achieve its objectives; regression analysis to assess its effect on performance of local governments was performed using SPSS. The results from analysis were presented in the model summary and coefficients tables below.

**Table 4.23 Showing regression model summary and Coefficients for the effect of stakeholder engagement on performance of local governments**

##### Model Summary

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

a. Predictors: (Constant), stakeholder engagement

##### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	3.356			.000
	stakeholder engagement	.091	.374	.114	.169

Dependent Variable: performance of local governments

Source: primary data, (2024)

From the table 4.23 showing the model summary statistics above, a p-value = 0.169 that is more than 5% level of significance indicates that stakeholder engagement (Beta=0.091) predicts and affects their performance of local governments. However, its effect is insignificant at p-value > 0.05. An adjusted R<sup>2</sup> of 0.021 implies that a stakeholder engagement explains 2.1% variations in performance of local governments. However, these variations are not significant in affecting performance of local governments.

#### 4.5 Performance of local governments

4.5.1 Effective local government performance leads to better access to essential services like healthcare, education, and public utilities, improving residents' quality of life

**Table 16 Showing whether effective local government performance leads to better access to essential services like healthcare, education, and public utilities, improving residents' quality of life.**

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	4	11.0	11.0	11.0
Agree	6	17.0	17.0	28.0
not sure	7	19.0	19.0	47.0
Valid Disagree	9	25.0	25.0	72.0
strongly disagree	10	28.0	28.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 16 above, it can be seen that the minority of the respondents 28% (11%, 17%) were positive to the statement that effective local government performance leads to better access to essential services like healthcare, education, and public utilities, improving residents' quality of life while 53% (25%, 28%) were negative to the same statement and 19% of the respondents were not sure there by implying that effective local government performance leads to better access to essential services like healthcare, education, and public utilities, improving residents' quality of life.

#### 4.5.2 Efficient local government can create a conducive environment for businesses, leading to job creation, investment, and overall economic development

Table 17 showing whether efficient local government can create a conducive environment for businesses, leading to job creation, investment, and overall economic development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	14.0	14.0	14.0
	Agree	17	47.0	47.0	61.0
	Not sure	2	6.0	6.0	67.0
	Disagree	5	14.0	14.0	81.0
	Strongly disagree	7	19.0	19.0	100.0
	Total	36	100.0	100.0	

Source: primary data (2024)

With reference to table 17 above, it can be observed that the majority of the respondents 61% (14%, 47%) were positive to the statement that efficient local government can create a conducive environment for businesses, leading to job creation, investment, and overall economic development, 33% (14%, 19%) were negative to the same statement while 6% were not sure. This implies that efficient local government can create a conducive environment for businesses, leading to job creation, investment, and overall economic development.

#### 4.5.3 Good performance results in well-maintained infrastructure, such as roads, schools, and hospitals, contributing to community development

Table 18 Showing whether good performance results in well-maintained infrastructure, such as roads, schools, and hospitals, contributing to community development

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	5	14.0	14.0	14.0
Agree	12	33.0	33.0	47.0
not sure	6	17.0	17.0	64.0
Valid Disagree	9	25.0	25.0	89.0
strongly disagree	4	11.0	11.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 18 above shows that 47% (14%, 33%) of the respondents were positive to the statement that good performance results in well-maintained infrastructure, such as roads, schools, and hospitals, contributing to community development while 36% (25.5%, 11%) were negative to the same statement and 17% of the respondents were not sure, these findings contradict with Berhan, B., & Jenkins, G. (2015), acknowledged that good performance results in well-maintained infrastructure, such as roads, schools, and hospitals, contributing to community development.

#### 4.5.4 Effective local governance can enhance social cohesion by addressing community needs and ensuring inclusive participation in decision-making processes

Table 19 showing whether effective local governance can enhance social cohesion by addressing community needs and ensuring inclusive participation in decision-making processes

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	8	22.0	22.0	22.0
Agree	13	37.0	37.0	59.0
not sure	4	11.0	11.0	70.0
Valid Disagree	8	22.0	22.0	92.0
strongly disagree	3	8.0	8.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 19 above indicates that the majority of the respondents 59% (22%, 237%) were positive to the statement that effective local governance can enhance social cohesion by addressing community needs and ensuring inclusive participation in decision-making processes, **32.5% (22%, 8%) had a negative response to the same statement while 11% of the respondents were not sure.** This implies that effective local governance can enhance social cohesion by addressing community needs and ensuring inclusive participation in decision-making processes.

#### 4.5.5 Efficient financial management by local governments ensures fiscal stability, reducing waste and improving resource allocation.

Table 20 Showing whether efficient financial management by local governments ensures fiscal stability, reducing waste and improving resource allocation.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	13	36.0	36.0	36.0
Agree	9	25.0	25.0	61.0
not sure	2	6.0	6.0	67.0
Disagree	5	14.0	14.0	81.0
strongly disagree	7	19.0	19.0	100.0
Total	36	100.0	100.0	

Source: primary data (2024)

Table 20 above shows that the majority of the respondents 61% (36%, 25%) were positive to the statement that efficient financial management by local governments ensures fiscal stability, reducing waste and improving resource allocation while 33% (14%, 19%) had a negative response to the same statement and 6% of the respondents were not sure. However this concurs with the research carried out by Bird, and Jamtsher (2016) noted that efficient financial management by local governments ensures fiscal stability, reducing waste and improving resource allocation.

## CHAPTER FIVE

### SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction.

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

#### 5.1 Summary of findings.

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

##### 5.1.1 Research Question one: Findings on the effect of internal controls on performance of local governments

The study investigated into the effect of internal controls on performance of local governments. Results showed that most respondents were positive to the statements that they were asked. For example; majority of respondents constituting 61% were positive to the statement that internal controls ensure financial statements are accurate and reliable, reducing errors and misstatements 50% were positive to the statement that reliable data from well-controlled processes supports better management decisions; 44% were positive to the statement internal controls ensure that the organization adheres to laws, regulations, and internal policies, 50% of the respondents had appositive response to the statement that internal controls safeguard the organization's

assets from loss, theft, or misuse. The results indicates that internal controls positively (Beta=0.153) predicts the performance of local governments and effect is significant at p-value < 0.05.

On the other hand, 61% constituting the majority were negative to statement that strong internal controls help detect and prevent fraudulent activities within an organization.

Results according to inferential statistics showed that internal controls have a significant effect on performance of local governments.

#### **5.1.2 Research Question two: Findings on the effect of auditing on performance of local governments**

The study investigated into the effect of auditing on performance of local governments

. Majority of the respondents 42% of the respondents were positive to the statement that auditing ensures that financial statements are accurate and free from material misstatements, 55% of the respondents were positive to the statement that auditing helps organizations comply with laws, regulations, and standards, it can be observed that 56% were positive to the statement that audits identify potential risks and provide recommendations to mitigate them also 39% of the respondents also objected to the statement that audits can uncover fraudulent activities and irregularities within an organization 50% objected to the statement that audited financial information provides a reliable basis for decision-making by management and stakeholders. The results

showed that auditing on positively (Beta=0.224) predicts the performance of local governments and effect is significant at p-value < 0.05. Results according to illative statistics showed that auditing affects performance of local governments.

### **5.1.3 Research Question three: Findings on the effect of stakeholder engagement on performance of local governments**

The findings revealed that 61% forming the majority were positive to the statement that engaging stakeholders fosters openness, enhancing trust and reducing the potential for corruption, 47% were positive to the statement that stakeholder involvement holds local governments accountable for their actions and decisions, 59% had a positive response to the statement that engaged stakeholders are more likely to support and cooperate with the implementation of government policies and programs, and 61% had a positive response to the statement that engaging with stakeholders builds stronger relationships between the government and the community.

On the other hand, 53% forming the majority rejected the statement that stakeholder engagement provides diverse perspectives, leading to more informed and effective decisions in local government. It was indicated that stakeholder engagement (Beta=0.091) predicts and affects their performance of local governments. However, its effect is insignificant at p-value > 0.05

Results according to probable statistics showed that stakeholder engagement has a significant effect on performance of local governments.

## 5.2 Conclusion

Basing on the first research objective which was to find out the effect of internal controls on performance of local governments, it can be concluded that internal controls have a significant effect on performance of local governments and this can be enhanced by involving a multi-faceted approach that includes regular risk assessments to identify vulnerabilities, establishing clear policies and procedures, and ensuring proper segregation of duties to prevent errors or fraud. Continuous training and development of staff on internal control practices are essential to maintain awareness and adherence. Implementing robust monitoring and auditing systems, including both automated and manual checks, helps detect and address issues promptly. Additionally, fostering a culture of accountability and transparency, along with regularly updating controls to adapt to changing conditions, ensures their effectiveness and relevance.

Basing on the second research question which was to analyze the effect of auditing on performance of local governments, it can be concluded that auditing affects performance of local governments, and which can be enhanced by adopting advanced technology and data analytics tools to improve accuracy and efficiency in detecting discrepancies and patterns. Ensuring continuous professional development and training for auditors is crucial to keep them updated on the latest auditing standards and practices. Strengthening communication and collaboration between auditors and management fosters a better understanding of organizational risks and controls. Regularly updating

audit methodologies and processes to reflect industry best practices and regulatory changes can also improve audit quality. Finally, promoting an independent and objective audit function ensures that audits are conducted without bias, leading to more reliable outcomes.

Basing on the third research objective, it can be concluded that stakeholder engagement has a significant effect on performance of local governments and is enhanced by fostering open and transparent communication channels where stakeholders can voice concerns and provide feedback. Regularly involving stakeholders in the planning and decision-making processes through forums, public consultations, and advisory committees helps align government actions with community needs. Offering accessible and inclusive participation opportunities ensures that diverse voices are heard, especially from marginalized groups. Providing timely updates on projects and government performance builds trust and accountability.

### **5.3 Recommendations**

The district should involves a multi-faceted approach that includes regular risk assessments to identify vulnerabilities, establishing clear policies and procedures, and ensuring proper segregation of duties to prevent errors or fraud. Continuous training and development of staff on internal control practices are essential to maintain awareness and adherence. Implementing robust monitoring and auditing systems, including both automated and manual

checks, helps detect and address issues promptly. Additionally, fostering a culture of accountability and transparency, along with regularly updating controls to adapt to changing conditions, ensures their effectiveness and relevance.

There is need for the district to adopt advanced technology and data analytics tools to improve accuracy and efficiency in detecting discrepancies and patterns. Ensuring continuous professional development and training for auditors is crucial to keep them updated on the latest auditing standards and practices. Strengthening communication and collaboration between auditors and management fosters a better understanding of organizational risks and controls. Regularly updating audit methodologies and processes to reflect industry best practices and regulatory changes can also improve audit quality. Finally, promoting an independent and objective audit function ensures that audits are conducted without bias, leading to more reliable outcomes.

There is need for the bank to fostering open and transparent communication channels where stakeholders can voice concerns and provide feedback. Regularly involving stakeholders in the planning and decision-making processes through forums, public consultations, and advisory committees helps align government actions with community needs. Offering accessible and inclusive participation opportunities ensures that diverse voices are heard, especially from marginalized groups. Providing timely updates on projects and government performance builds trust and accountability. Additionally,

leveraging technology, such as social media and online platforms, can broaden outreach and facilitate continuous engagement with the community.

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

Dear respondent;

I am Opio Walter carrying out research on the topic “fiscal accountability and performance of local governments” as a partial fulfillment for the award of bachelors 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 was asked. However the information given was 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 find out the effect of internal controls on performance of local governments**

This section aims at finding out the effect of internal controls 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	Internal controls ensure financial statements are accurate and reliable, reducing errors and misstatements.					
2	Strong internal controls help detect and prevent fraudulent activities within an organization.					
3	They ensure that the organization adheres to laws, regulations, and internal policies.					
4	Internal controls safeguard the organization's assets from loss, theft, or misuse.					
5	Reliable data from well-controlled processes supports better management decisions.					

**Section B: To analyze the effect of auditing on performance of local governments**

This section aims at analyzing the effect of auditing 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	Auditing ensures that financial statements are accurate and free from material misstatements.					
2	Audits can uncover fraudulent activities and irregularities within an organization					
3	Auditing helps organizations comply with laws, regulations, and standards.					
4	Audits identify potential risks and provide recommendations to mitigate them.					
5	Audited financial information provides a reliable basis for decision-making by management and stakeholders.					

**Section C: To assess the effect of stakeholder engagement on performance of local governments**

This section aims at assessing the effect of stakeholder engagement 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	Stakeholder engagement provides diverse perspectives, leading to more informed and effective decisions in local government.					
2	Engaging stakeholders fosters openness, enhancing trust and reducing the potential for corruption.					
3	Stakeholder involvement holds local governments accountable for their actions and decisions.					
4	Engaged stakeholders are more likely to support and cooperate with the implementation of government policies and programs.					

5	Engaging with stakeholders builds stronger relationships between the government and the community.					
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**Section D: Performance of local governments**

This section shows indicators for performance of commercial banks. 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	Effective local government performance leads to better access to essential services like healthcare, education, and public utilities, improving residents' quality of life.					
2	Efficient local government can create a conducive environment for businesses, leading to job creation, investment, and overall economic development.					
3	Good performance results in well-maintained infrastructure, such as roads, schools, and hospitals, contributing to community					

	development.					
4	Effective local governance can enhance social cohesion by addressing community needs and ensuring inclusive participation in decision-making processes.					
5	Efficient financial management by local governments ensures fiscal stability, reducing waste and improving resource allocation.					

## APPENDIX II: INTERVIEW GUIDE

How do you perceive the role of internal controls in ensuring the accuracy of financial reporting within the local government?

In your experience, how effective are the current internal control systems in preventing fraud and misuse of government resources?

How do internal controls contribute to operational efficiency in your local government?

Can you share any examples where internal controls directly impacted the performance or decision-making processes within the local government?

What challenges have you encountered in implementing and maintaining effective internal controls, and how have they affected local government performance?

How do regular audits influence the financial transparency and accountability of your local government?

Can you discuss any specific instances where audits have identified issues that led to significant improvements in government performance?

In what ways does the auditing process impact the overall trust and credibility of your local government among citizens and stakeholders?

How does auditing help in ensuring compliance with laws, regulations, and policies within the local government?

What role do audits play in enhancing auditing and preventing financial mismanagement in the local government?

How does stakeholder engagement influence the decision-making process within your local government?

Can you provide examples of how engaging stakeholders has led to improved policy implementation or service delivery in your area?

In your opinion, how does stakeholder involvement contribute to increased transparency and accountability in the local government?

What strategies does your local government use to engage stakeholders, and how have these strategies affected performance?

How do you address conflicts or disagreements that arise from stakeholder engagement, and what impact does this have on the performance of the local government?



# UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.

A Centre of Excellence in the Heart of Africa

## BUSINESS DEPARTMENT

To HUMAN RESOURCE OFFICER MBALE

*Permission granted to conduct research*



Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss DAVID WALTER  
Of Registration Number; S22/MUC/BBA/032 pursuing a Masters' Degree/Postgraduate Diploma / Bachelor's Degree BACHELOR'S DEGREE

He/ she is required to carry out an academic research on the topic FISCAL ACCOUNTABILITY AND PERFORMANCE OF LOCAL GOVERNMENT (CASE STUDY OF MBALE)

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

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

HEAD OF DEPTMENT BUSINESS UCU-MUC  
Henry Omache Ogachi

