

**VALUE FOR MONEY AUDIT AND FINANCIAL PERFORMANCE OF LOCAL  
GOVERNMENTS IN EASTERN UGANDA : A CASE OF BUTALEJA DISTRICT IN  
EASTERN UGANDA**

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**UGANDA CHRISTIAN  
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## DECLARATION

I BASIRIKA BAYATI hereby declare that the information contained in the research report is my original work and has never been submitted by any one for any award to any institution of higher learning.

Signature: .....



Date: .....

20/08/2024

**APPROVAL**

This is to certify that this research report has been written under my guidance and supervision and it is now ready for examination.



Signature: ..... ..

Date: .....21<sup>st</sup> -08 - 2024.....

MR.MAENA DANIEL (University Supervisor)

## **DEDICATION**

I dedicate this research report to daddy Walusimbi, Edith Ruth my Mother my dear friends who have been a constant source of support and encouragement throughout this journey. Your words of encouragement and unwavering belief in me have been invaluable, and I am grateful for your friendship. I also dedicate this work to the esteemed Uganda Christian University for providing me with the opportunity to pursue my academic aspirations. The guidance and knowledge imparted by the faculty members have been instrumental in shaping my academic journey, and I am thankful for their mentorship. This research is a testament to the collaborative efforts of friends and university, and I am honored to have been a part of this academic community.

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## **ABSTRACT**

The study looked at the effect of Value for Money audit on the financial performance of Butaleja District. Specifically, it aimed to determine the impact of verification of accounting data, records examination, and internal controls on financial performance. A cross-sectional survey was employed, involving a population of 40, with a sample size of 36 respondents determined using the Slovene's formula. The study utilized simple random sampling and purposive sampling techniques. The research findings revealed that verification of accounting data, records examination, and internal controls significantly influence financial performance in Butaleja District. It also indicated that thorough verification processes, strategic records examination, and robust internal controls contribute positively to financial performance. The study recommends the implementation of effective verification mechanisms, comprehensive records examination protocols, and strengthened internal control systems to enhance financial performance in Butaleja District. Lastly, the study concludes that Value for Money audit plays a crucial role in optimizing financial performance and ensuring fiscal accountability within the local government context.

## **LIST OF ACRONYMS**

IV : INDEPENDENT VARIABLE

DV : DEPENDEDENT VARIABLE

BDLG : BUTALEJA DISTRICT LOCAL GOVERNMENT

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter will be consisted of background of the study, statement of the problem, the purpose of the study, objectives of the study, research questions, and scope of the study, significance of the study, anticipated limitations of the study and lastly delimitations of the study.

### 1.1 Background of the study

#### 1.1.1 Historical perspective

The history of value for money audit can be traced back from 4000 B.C and it is said that formal record-keeping systems were instituted by organized businesses and governments in the Near East for purposes of correctly accounting for receipts and disbursements and collecting taxes. The public finance systems in Babylonia, Greece, the Roman Empire, and the City States of Italy are reported to have initiated and developed a detailed system of checks and counterchecks at around 1800 B.C. and A.D (O'Reilly et al., 1998).

Specifically, these governments were worried about incompetent officials prone to making bookkeeping errors and inaccuracies as well as corrupt officials who were motivated to perpetrate fraud whenever the opportunity arose. The Bible also contains examples of internal controls such as the dangers of dual custody of assets, the need for competent and honest employees, restricted access, and segregation of duties (ibid).

Morin (2003) further highlights that, history also has it that the European countries fully embraced value for money auditing in the last two centuries and was later introduced into the United States. As business activities grew in size, scope, and complexity, a critical need for a separate internal assurance function that would verify the (accounting) information used for decision-making by management became vital. Management needed some means of evaluating not only the efficiency of work performed for the business but also the honesty of its employees.

Around the turn of the 20th century, the establishment of a formal value for money audit function to which these responsibilities could be delegated was seen as the logical answer. In due course, the value for money audit function became responsible for careful collection and interpretive reporting of selected business facts to enable management to keep track of significant business developments, activities, and results from diverse and voluminous transactions (Mautz, 1964). However, Chun (1997) reports that before the 1950's value for money audit function activities in many organizations focused on financial audit and value for money audit department were heavily involved in the review of financial statements. At present, however value for money audit takes on a much broader and deeper perspective just as suggested in the IIA's statement of responsibilities of value for money auditors: *"One of the foundations of representative democracy is that the legislature as custodians of public money, be held accountable by the electorate. The legislature has to ensure that mechanisms and procedures are in place to facilitate financial performance"* (IIA, 2006, P-2)

Globalization of business, technological advancements, increasing business failures, and widely publicized fraud have encouraged entities to place more emphasis on the value for money audit functions and internal control system (Zabihollah, 1995). Thus, Worldwide the demand for value for money auditors continues to grow due to the function of value for money auditing as a risk evaluation and management unit. At the same time many giant international companies have collapsed because of weak auditing practices, the likes of Enron, Maxwell and WorldCom.

In the late 1990s and the new millennium, accountability has become an important topic in the discussion about the legitimacy of international institutions. Because there is no global democracy to which organizations must account, global administrative bodies are often criticized as having large accountability gaps. One paradigmatic problem arising in the global context is that of institutions such as the World Bank and the International Monetary Fund (IMF) who are founded and supported by wealthy nations and provide aid, in the form of grants and loans, to developing nations (Hunt, 2008).

With the structural Adjustment Program (SAP) introduced by World Bank and IMF in the early 1990s, governments in developing countries adopted centralized forms of governance alongside the decentralized forms of governance and functional units empowered to perform specialized functions in government entities aimed at enhanced accountability and service delivery (Kauzya, 2007).

In Uganda for example Section 90 of the Local Government Act CAP 243 provides for the establishment of the value for money audit departments in the local governments with a view of assisting the Local Government provide public goods and services in an effective, efficient and economic manner. As a service department to the organization, the value for money audit function objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to proper economic use of resources. The value for money audit is autonomous and reports directly to the district council. According to section 90 of the Local Government Act CAP 243, every district, city, municipal or town council shall provide for value for money audit unit. The head of the value for money audit department shall prepare quarterly reports and shall submit them to the council giving a copy to the local government public accounts committee.

In retrospect, the SAP spanning both the central and local governments, public sector finance forms an integral part of the society and impacts on all social, economic, and political dimensions of a country (Visser& Erasmus, 2002). The state generally assumes responsibility for the welfare, health and prosperity of its citizens, an objective achieved by providing effective service delivery to the electorate (ibid) a role the value for money audit function provides through assurance that it was achieved.

The historical perspective offers an insight into the evolution of the value for money audit function and its management world over but there is an anecdotal empirical finding on the value for money audit and its contribution to accountability in local governments of Uganda. This study therefore was interested in covering the raised knowledge gaps by providing current practices in the value for money audit and its contribution to financial performance under decentralized form of governance in a developing country.

### **1.1.2 Theoretical Perspective**

The guidance taskforce of the Institute of Internal auditors-IIA (2001) defines the value for money audit function as:

*An independent objective assurance and consulting activity/unit designed to add value and improve organizations operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes*

The new definition shifts the focus of the value for money audit function from one of assurance to that of value added and attempts to move the profession towards a standards-driven approach with a heightened identity (Bou-Raod, 2000). The new objective of value for money auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations and pertinent comments concerning activities reviewed (Chun, 1997). This can only be achieved through an effective value for money audit through governance of the value for money audits function, provision of audit resources and audit automation (Burnaby et al., 2007; IIA, 2006). These study therefore while borrowing from the above authors conceptualized the IAF management to include governance, deployment of value for money audit resources and audit automation.

According to Elia (2005) financial performance refers to the obligation on the part of public officials to report on the usage of public financial resources and answerability for failing to meet stated performance objectives. In leadership roles, accountability is the acknowledgment and assumption of responsibility for actions, products, decisions, and policies including the administration, governance, and implementation within the scope of the role or employment position and encompassing the obligation to report, explain and be answerable for resulting consequences. This study borrows from the above conceptual perspective of financial performance and conceptualized accountability to include three indicators of financial controls, validity and reliability of financial reports and attainment of value for money by a local government

### **1.1.3 Conceptual Perspective**

The guidance taskforce of the Institute of internal auditors-IIA (2001) defines the value for money audit function as: An independent objective assurance and consulting activity/unit designed to add value and improve organizations operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes

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#### **1.1.4 Contextual Perspective**

Butaleja District Annual work plan of The Local Government Finance Commission (LGFC)

For the financial year (FY) 201 6/2017 according to the Butaleja district finance commission legal status, states that the report sets out the legal status, mandate, mission, care values and the current functional; structure of the commission. The report gives an overview of the performance achieved against the approved work plans for the period under review. The work plan was drawn on the basis of medium-term strategic objectives that are spelt out in the corporate strategic plan of the commission for the period 2014/2015 to 2016/2017. The medium-term objectives are: Improving on Butaleja district's financial budget allotment, analysis, tracking of expenditures and the general performance of the district enhancement of the district's financial performance, public service delivery and economic efficiency

Advising on equitable distribution of revenue between Central Government and Local Governments and among Local Governments for effective and efficient service delivery

Enhancement of local revenue generation in Butaleja district

Strengthening the institutional capacity of the commission just like the previous financial year, during the last past financial year, the commission operated under financial constraints the Commission continues to lack adequate funding for its care activities to effectively execute its constitutional mandate.

## **1.2 Problem Statement**

Value for money audit is expected to provide an independent objective assurance and consulting activity/unit designed to add value and improve organizations operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (ISA, 2001). Despite the efforts to International Accreditation Forum in all local governments of Uganda guided by the 1997 Local Government Act and the PFAA, 2003, local governments are still faced with cases of abused financial performance and failure to achieve value for money. The Office of the Auditor General of government (OAG, 2011) highlighted some unreliable financial reports and noted that, Shs.11,618,191,273 in respect of Higher LGs was unaccounted for administrative advances, incompletely vouched expenditure, un-vouched expenditure and doubtful expenditure remained outstanding yet an addition Shs.2,316,953,728 remained outstanding in 385 sampled Lower Local Governments. The same report also highlighted cases of over expenditure against budgets and noted that Higher Local Governments for the year under review failed to adhere to the commitment control system which has resulted in committing Councils beyond the available financial resources amounting to Shs. 19,585,399,783 in higher local government yet Lower Local Governments increased from Shs 157,322,769 in the previous financial year to Shs 331,014,767 in the year ended 30th June 2010. Furthermore, evidence shows that Local Authorities procured items and services worth Shs. 34,226,178,869 in contravention of PPDA Act and Regulation, 2003 and Local government PPDA Regulation, 2006. The OAG was of the view that there was a risk that value for money may not have been obtained (OAG Report on Local Authorities, 2011). If the trend was to continue unabated, public resources locally generated and central government grants remitted to districts was continuously misused even with the presence of an IAF which has a consequence of the central government taking over the management of local governments. This study therefore

investigated the extent to which value for money audit affect financial performance of Local Governments of Uganda.

### **1.3 General objective**

The study determined the effect of Value for money audit on financial performance in Butaleja district.

#### **1.3.1. Specific objectives of the study**

- i. To determine the effect of verification of accounting data on financial performance of Butaleja District Local Government.
- ii. To establish the effect of records examination on financial performance of Butaleja District local government.
- iii. To ascertain the role of internal controls on financial performance of Butaleja District local government.

### **1.4. Research Questions**

- i. How often is verification of accounting data on financial performance of Butaleja District Local Government?
- ii. What records of examination are carried out always during Value for money audit on financial performance of Butaleja District Local Government?
- iii. Are internal controls used for Value for money audit on financial performance of Butaleja District Local Government?

### **1.5. Scope of the study**

This section covered geographical scope, content scope and time scope as explained below;

#### **1.5.1. Content Scope**

The study explored the influence of Value for Money (VfM) audits on financial performance in Butaleja district, Uganda. To understand this relationship, researchers examined three key independent variables: verification of accounting data (confirming the accuracy of financial records), examination of

records (broader review of documents and procedures impacting finances), and internal controls (policies and procedures safeguarding assets and ensuring financial data accuracy).

### **1.5.2. Geographical scope**

The area under study was Butaleja district. Butaleja District is a district in Eastern Uganda. It is named after its 'chief town', Butaleja, where the district headquarters are located. Butaleja District is bordered by Budaka District to the north, Mbale District to the east, Tororo District to the southeast, Bugiri District to the south and Namutumba District to the west. The district headquarters at Butaleja, are located approximately 38 kilometers (24 mi), by road, southwest of Mbale, the nearest large city. The coordinates of the district are:00 56N, 33 57E.

### **1.5.3 Time scope**

The study covered the information for a period of 3 years from 2015 to 2017 the year is considered because this time Butaleja district was experiencing the challenge of financial performance.

### **1.6. Significance of the study**

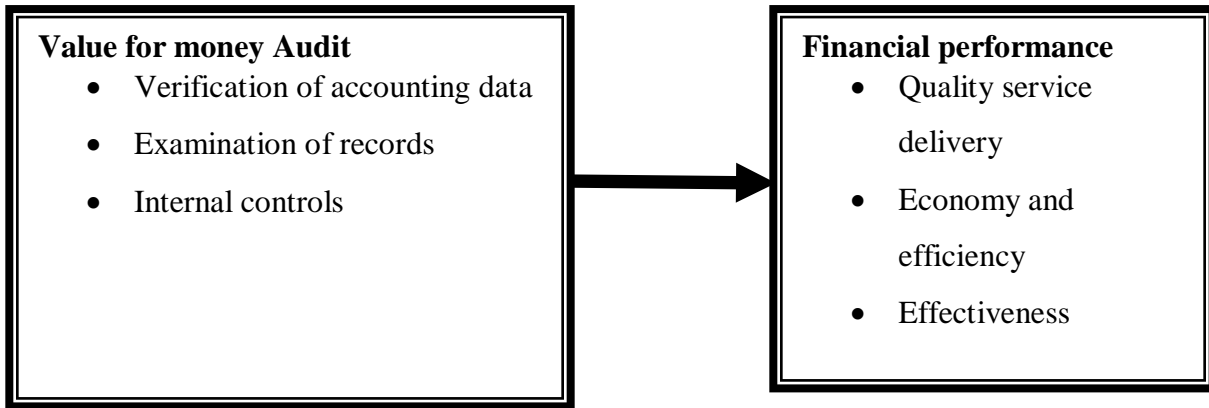
This research is expected to generate more information to enhance the already existing body of knowledge in the area of Value for money audit on financial performance in Butaleja district. Also, the research findings may enlighten the policy makers, local leaders and technical people of the gaps existing in Value for money audit on financial performance.

These findings would be relevant in guiding management to draft appropriate policies to provide a platform to explain how organization funds are spent. This may enhance financial performance, transparency, financial performance as one of the values of good governance.

In addition to the above, the study may provide future scholars and researchers with information regarding Value for money audit function on financial performance. The study may also help the researcher to be awarded a Bachelor's degree in Business Administration.

### 1.7. Conceptual frame work

The conceptual framework as illustrated in figure 1.1 below shows the effect of Value for money audit as an independent variable and its effect on the dependent variable which is financial performance.



**Source: Adopted from Kluvers (2010) and modified by the researcher (2024)**

Conceptual Framework above shows value for money Audit as an Independent Variable and financial performance as a Dependent Variable. The above conceptual frame work represents the relationship between the Independent Variable and Dependent Variable. The Independent Variable in this case is Value for money audit and the Dependent Variable being financial Performance of Butaleja District Local Government hence Value for money audit has an effect on financial performance of Butaleja District Local Government.

### 1.8. Operational Definition of key terms

**Compliance** - Conformity and adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements (Kruger, 2018).

**External Auditors** - refers to those audit professionals/ firms outside the organization who perform independent annual/quarterly audits of an organization's financial statements (Omunuk, 2008).

**Fraud** - Any illegal acts characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage (Amin 2005).

**Independence** - allows internal auditors to carry out their work freely and objectively. This concept requires that internal auditors be independent of the activities they audit. Independence is achieved through organizational status and objectivity (Armstrong, 1997).

**Internal Auditing**- is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost (Becky, 2000).

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.0 Introduction**

This chapter presents the review of literature on the effect of Value for money audit on financial performance of public funds. The research objectives were presented as subthemes in this chapter. The literature that was reviewed under this chapter was from scholar sources like; text books, journals and Articles from internet, Government policies, Manuals and published reports.

#### **2.1. Effect of Verification of accounting data on financial performance**

The contingency theory of organization views organizations as rational entities capable and willing to make internal changes to achieve a technical fit between environment and structure as argued by Byars & Rue (2004). The goal of an audit is to test the reliability of a company's information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Auditors require access to documents, systems, policies and procedures to manage an audit.

Value for money audit is defined by Gupta (2019) as an independent appraisal function established within an organization to examine and evaluate its activities as a service to the management of the organization. Internal auditing can also be seen as an internal appraisal that functions within an organization and which would review activities as a service to all levels of management (Chartered Institute of Public Finance and Accountancy (2003).

According to Sawyer et al., (2016), the definition has five (5) key concepts that shape the nature of today's internal auditing: Independence the Value for money audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results; Objective assurance Value for money audit provides an independent and objective opinion to LGA management as to whether it is achieving its objectives and receiving value for money and that risks are being managed to acceptable levels. It can be provided in house or be outsourced; Consulting activity

the Value for money audit activity encompasses provision of professional advice to LGA management i.e. an underlying professional competence that is used in making judgments about a given situation and relied on by the user of the consultant's advice; Add value – the Value for money audit activity should contribute to the overall improvement of the LGA operations. Thus, internal auditors make value-added contributions throughout the entire audit process and in almost every aspect of their work; and finally, risk management, control and governance processes – its scope has widened, it is not just the audit of financial processes, but it is more concerned with key issues in control, risk management, and governance.

Shewamene (2014) argues that in every country that is administered in a democratic policy needs to be accountable in its use of public money and in providing effective, efficient and economical (3e's) service delivery. To achieve those government objectives applying Value for money audit function was the major mechanism for controlling and using of all scarce resources available in the corporate organization. Even more large and complex systems require greater competitiveness, thus Value for money audit has had to become ever more professional (Cecilia Nordin Van Gansberghe, 2003).

Mutabwire (2013) defines service delivery as relationship between policy makers, service providers, and consumers of those services, and encompasses both services and their supporting systems. Service delivery is a mechanism used by an organization to meet the needs and aspirations of the people it is meant to serve. Political and Technical Assessments of the effectiveness of public organizations such as Local Governments (LGs) occur continuously in most Countries. These review how effectively local governments meet the service delivery standards of the country. Confidence in local governments derives from demonstrated capability to deliver services in a way that meets national and public needs. These should address the needs of the community by providing quality services.

Public financial performance is meant to foster institutional learning. Financial performance is not only about control, it is also about prevention. Norms are (re)produced, internalized, and, where necessary, adjusted through financial performance. The manager who is held to account is told about the standards he must hold to and about the fact that in the future he may again (and, in that case, more strictly) be called to account in connection with his conduct. In such cases, outsiders are often addressed as well, particularly those outsiders likely to find themselves in a similar position to that of the person or

persons being called to account. Parliamentary inquiries into policy fiascos, for example, cast their shadow ahead, way beyond the particular incident - especially when they are broadcasted on prime time - and may prompt large numbers of public managers in similar positions to adjust their policies and procedures (Bovens, 2003).

All local governments should have a Value for money audit function for the following reasons: it supports good internal governance, to ensure consistency with other levels of government, to improve the effectiveness of risk management, control and governance processes, and helps to instill public confidence in an organization's ability to operate effectively. When considering an Value for money audit function, councils should consider the following issues: the need to extend council's understanding of risk management beyond traditional areas of public liability and occupational health and safety, into areas such as internal governance, fraud risk and broader regulatory risk; whether council should have a uniform approach to assessing and managing risk, regardless of size or location; whether it is feasible for council to pool resources with like councils or arrange through regional organizations of councils for Value for money audit services; whether small management teams can feasibly conduct audits or internal reviews in the absence of an audit function, with an appropriate degree of independence and objectivity; and how council can properly resource Value for money audit and Value for money audit control programs (Woodward, 2020).

With a significant argument regarding the parameters of financial performance, Funnell (2003) argues that financial performance is being weakened because of the encouragement of a concept of it that highlights accomplishments, progress and performance. Service delivery, according to Funnell, has been changed from a political activity to a technical issue, therefore placing greater emphasis on technical information such as accounting, budgeting, and performance measurement. Further, these predominantly quantitative measures provide information about efficient performance, which is related to the managerial aspect of financial performance, rather than effective service delivery, which is related to the public/political aspect of financial performance. The emphasis on efficient service delivery and quantitative information changes the nature of financial performance, leading to greater control by the executive rather than increased scrutiny of it (Broadbent and Laughlin 2003).

Value for money audit Techniques (2014) states that Value for money audit plays an important role in helping organizations achieve their intended objectives. It has always been viewed as an integral part of

organizational governance, and increasingly as an instrument for improving the performance of the organization, both in private and public sector. “Internal Auditing” is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach in evaluating and improving the effectiveness of risk management, control, and governance processes (The Institute of Internal Auditors (IIA) – 2019).

The above definition is given by the Institute of Internal Auditors. However, section 13 (2) of the Local Authorities Financial Memorandum (2009) also defines Value for money audit as: “... an Value for money audit is an independent appraisal of Value for money audit control within a Local Government Authority done by examining and evaluating the effectiveness and adequacy of such controls.” This definition is based on the older version of the definition (i.e. prior to 2019) which has a limited scope of the role of internal auditing in Local Government Act Cap 243 that provide for the appraisal/evaluation of Value for money audit control in Local Government Act.

Under Article 163 (3) of the Constitution of the Republic of Uganda 1995 and Section 13 of the National Audit Act, 2008, the Auditor General is mandated to audit and report to Parliament, on the public accounts of Uganda and of all public offices, including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporation or other bodies or organizations established by an Act of Parliament; and conduct financial and value for money audits in respect of any project involving public funds.

According to the Auditor General’s report (2014), an audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements as well as evidence supporting compliance with relevant laws and regulations. The procedures selected depend on the auditor’s judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers Value for money audit controls relevant to the entity’s preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the entity’s Value for money audit control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Local Governments Value for money audit Manual, (2007) provides that the objective of a Value for money audit engagement is to provide an independent and objective level of assurance to assist the Local Government to achieve its objective. The techniques employed are based on an assumption that examination of a portion of the accounting entries or other data will reveal the same characteristics as would an examination of all items. Testing is broadly divided into three areas: (a) compliance testing and (b) substantive testing, for which various sampling methods may be applied. Value for money audit activity plays a significant role in the achievement of LGA's objectives. Its expanded scope of activities and professionalism has made it to be among the key functions in public sector management and as the right hand of most of the executive directors.

Muwanga (2015) noted that much as Regulation 11 (af) of the Local Governments Financial and Accounting Regulations, 2007 requires the Head of Finance to ensure that commitments are not approved unless there is sufficient uncommitted balance available in the quarter's commitment limit for the relevant budget item. However, many Urban Authorities like Kambuga Town Council incurred debts beyond available resources. This will be caused by non-adherence to the commitment control system and there will a risk of possible litigation by the creditors.

Regulation 18(3) of Local Governments Financial and Accounting Regulations, 2007 requires budget estimates to be based on objectives to be achieved in the financial year and during the implementation effort to be made to achieve the agreed objectives or targets as per programs of council. Council budgeted for local revenue of UGX.29, 233,985 but only collected UGX.20, 294,000 resulting into a shortfall of UGX.8, 939,985, representing, 31%. The shortfall will be attributed to non-receipt of Local service tax and poor performance of coffee markets under collection of revenue adversely affects service delivery (ibid).

Basheka (2011) also argues that in Uganda, the implementation of the procurement reforms commenced in 2020 with the approval by cabinet. These reforms resulted into the establishment of the PPDA. This body was given the regulatory and oversight mandate to advise Government on matters relating to public procurement and disposal. One of its other mandates will to monitor compliance by central and local government entities to the provisions of the new legal and institutional procurement frameworks. It has however, been noted that public procurement and Disposal of public Asset process in Uganda is muddled with corruption, delays in delivery of mandated services and goods by respective

local governments signifying lack of financial performance or fraud system which is non-compliant with established laws and regulations of the country.

## **2.2. Effect of Examination on financial performance**

The stakeholder theory proposed by Freeman R. Edward (Freeman, 2004) is a theory of organizational management and business ethics that addresses morals and values in managing an organization. Stakeholder theory takes into account a wider group of constituents rather than focusing on shareholders. A consequence of focusing on shareholders is that the maintenance or enhancement of shareholders' value is paramount whereas when a wider stakeholder group such as employees, providers of credit, customers, suppliers, government and the local community is taken into account the overriding focus on shareholder value become less self-evident.

Audit fee is determined based on the duration of auditors' terms of service, which is billed in accordance to the work progress. Auditors have different hourly fees depending on their experience and skill and consequently, the extent of the responsibility they are committed to.

Audit fees include direct work hours' fees, other direct costs (for instance extra fees of off-center mission and transportation) and allocable overhead (Standard 21). The total fees received by the auditor for consulting and presenting audit services will used to calculate the audit fee rate through natural logarithm.

Audit fees are indicative of the economic costs of efficient auditors. From the auditing viewpoint, auditors seek to minimize the total costs by balancing their resource cost (the costs of doing more audit work) and future losses caused by legal liability. More audit effort reduces the possibility of auditors be incurred by debt losses, and the auditor presents an audit work that minimizes the total cost (Carsloo et al., 2002).

Rahimiyan, Rezapour and Akhhzari (2011) found that firms with higher levels of institutional ownership enjoy higher audit quality, while concentration of institutional ownership reduces audit quality. The size of the audit firm is regarded as one of the indicators of audit quality in their research.

Aloke et al. (2015) found that this is an indicator of the significant effect of audit risk and fees on financial reporting quality. Moreover, firm size and age also have significant effect on financial reporting quality. In a study titled "risk-taking firms, firm value and high levels of managerial earnings forecasts".

Darabi and Salmani (2013) demonstrated that there is a positive significant relation between the human and physical capital and financial reporting quality; however, there is a negative significant relationship between the structural capital efficiency and financial reporting quality. Records are essential for financial financial performance. Records provide a reliable, legally verifiable source of evidence of decisions and actions about the management of government finance and are the basis for determining responsibility. They are a powerful tool in constraining individuals from engaging in corruption. But if financial records management systems are weak, public servants cannot be held accountable for their decisions and actions. Fraud and corruption will flourish. Records management is a cost-effective restraint. If corrupt officials know that there is an audit trail, they are less likely to take the risk. Conversely, a clear audit trail can protect the innocent from false accusations. Where the ultimate sanction of prosecution is appropriate, lawyers will rely heavily upon records to provide the evidence.

However, records management controls are often missing in government financial control systems. The organization's financial instructions and the accounting manual will specify rules for the security and use of financial records. However, these documents tend not to prescribe rules for the management of records. At the same time, financial records are usually outside the jurisdiction of the organization's records manager. As a result, this vital resource is not managed or controlled adequately. Failure to manage records can lead to the buildup of unwanted records, overcrowding and disorganization. This will make it very difficult to retrieve and use financial records efficiently and to carry out the audit process.

Financial records should be subject to tight regulations and control. Financial records are usually subject to legislation that forbids their destruction for a set period of years after the accounts have been audited. Failure to observe these requirements could lead to prosecution. The legal framework affecting financial records comprises the constitution, which may provide for the supervision and audit of public accounts, and laws relating to finance, audit and government records. Finance and audit laws generally require ministries, departments and agencies to ensure that financial and accounting records are adequately kept and managed. They also empower the audit body to obtain access to all financial records.

Value for Money (VFM) audits examines the economy, efficiency, effectiveness and environmental effects of government projects and operations. The audits endeavour to evaluate if activities, programs or projects involving public funds in audited organizations have been managed and conducted with due regard to economy, efficiency and effectiveness. During the FY 2013/2014, the office planned to carry

out 10 VFM audits and 6 specialized audits. The specialized audits included 5 engineering audits (under Kampala Capital City Authority, Uganda National Roads Authority (UNRA), Road Fund, Ministry of Works and Transport (MoWT) and Ministry of Education) and 1 Private Public Partnership (PPP) audit. As at 31st March 2015, a total of 10 VFM audits and 5 engineering audits had been completed. The audit of PPP will be at the planning stage as arrangements for the technical support was being worked on. The detailed reports on the 5 engineering audits are incorporated in Volumes 2, 3 and 6 of the Annual Report to Parliament. Below is an outline of the 10 VFM audits and 5 specialized audits (The Auditor General's report, 2014).

According to Office of Auditor General in Uganda (OAG) report (2015), Value for Money audit also known as Performance Auditing is defined as an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Value for money audit covers the three major principles that include; Economy, Efficiency and Effectiveness. The principles of economy, efficiency and effectiveness can be defined as follows: the principle of economy means minimizing the costs of resources. The resources used should be available in due time, in and of appropriate quantity and quality and at the best price; the principle of efficiency means getting the most from the available resources. It is concerned with the relationship between resources employed and outputs delivered in terms of quantity, quality and timing; and the principle of effectiveness concerns meeting the objectives set and achieving the intended results.

The main objective of value for money auditing is constructively to promote economical, effective and efficient governance. It also contributes to financial performance and transparency. Value for money or performance auditing promotes Financial performance by assisting those with governance and oversight responsibilities to improve performance. It does this by examining whether decisions by the legislature or the executive are efficiently and effectively prepared and implemented, and whether taxpayers or citizens have received value for money. It does not question the intentions and decisions of the legislature, but examines whether any shortcomings in the laws and regulations or their way of implementation have prevented the specified objectives from being achieved. It focuses on areas in which it can add value for citizens and which have the greatest potential for improvement. It provides constructive incentives for the responsible parties to take appropriate action (Gibson *et al.*, 2016).

Woodward (2020) argues that one of the primary objectives of the Value for money audit function is to add value to the council operations. Adding value involves taking a proactive approach with a focus on risk, organizational concerns and effective controls at a reasonable cost. By focusing audit work on high risk areas, the organization wasn't fit from assessments of their systems and gain independent assurance on whether those systems that are critical to program delivery are operating efficiently and effectively. This risk approach contributes to preventative auditing, rather than relying on detecting issues and exceptions after they have already eventuated.

The Auditor General Report (2014) observes that Section 90(1) of the Local Government Act 1997 as amended requires every District, City, Municipal and Town Council to provide for a Value for money audit Department. However, contrary to the law, Adkuk Town Council did not have a Value for money audit unit. This weakens the internal control systems. The Value for money audit function is responsible for proper Control and asset management through examining and evaluating the efficiency and effectiveness of internal controls and helps in guiding on risk management. The Accounting officer indicated that management will to consider having an internal auditor and would consult the District service commission.

### **2.3. The effect of internal control on financial performance**

The stakeholder theory proposed by Freeman R. Edward (Freeman, 2004) is a theory of organizational management and business ethics that addresses morals and values in managing an organization. Stakeholder theory takes into account a wider group of constituents rather than focusing on shareholders. A consequence of focusing on shareholders is that the maintenance or enhancement of shareholders' value is paramount whereas when a wider stakeholder group such as employees, providers of credit, customers, suppliers, government and the local community is taken into account the overriding focus on shareholder value become less self-evident The stakeholder theory proposed by Freeman R. Edward (Freeman, 2004) is a theory of organizational management and business ethics that addresses morals and values in managing an organization. Stakeholder theory takes into account a wider group of constituents rather than focusing on shareholders. A consequence of focusing on shareholders is that the maintenance or enhancement of shareholders' value is paramount whereas when a wider stakeholder group such as employees, providers of credit, customers, suppliers, government and the local community is taken into account the overriding focus on shareholder value become less self-evident.

De Angelo (1981), defines auditors independence as the conditional probability that the auditor will disclose any misstatement in financial statements given that this misstatement will already be discovered. Chia-Ah and Karlsson (2020), opines that the threats to independence are often very significant and thus undermine the auditor's effectiveness in rendering the auditing services. It becomes even more challenging when the auditor overstays with a client as extended audit tenures have been found to hamper auditor independence.

Farouk & Hassan (2015), noted that auditors Independence of mind requires the auditor to have a state of mind that permits the provision of opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity and exercise objectivity and professional skepticism.

Woodland and Reynolds (2003), examined the association between indirect measures of audit quality and financial statement analysis using multivariate regression analysis. They found that audit fees are positively associated with financial statements but do not find evidence that auditor size, tenure or industry specialization are associated with audit quality in the directions predicted. Their results provide new evidence as to the current usefulness of these indirect measures in predicting audit quality.

Nam (2011), examined the relationship between audit fees as a proxy for auditor independence and audit quality of firms in New Zealand. Employing three multiple regression models for a sample of New Zealand companies, his study discovered that the provision of non-audit services by the auditors of a firm compromises the auditor's independence, abnormal audit fee change rate is negatively associated with audit quality and auditor's independence of the previous year impacts on the audit fee that is negotiated in the current year.

Jeff et.al, (2012), examined the links between audit fees and measures of audit quality. Their results show that higher annual excess fees and abnormal audit fees are generally associated with lower audit quality while a multi-period measure that reflects consistently high audit fees is associated with a positive long-run relationship between audit quality and audit fees. Choi et.al. (2020), examined whether the association between audit fees and audit quality is asymmetric and thus nonlinear in the

sense that the association is conditioned upon the sign of abnormal audit fees for their total sample of client firms with both positive and negative audit fees.

Miettinen (2011), examined the relationship between audit quality and financial performance. Audit quality will be measured using auditor size and audit committee meeting frequency. The result shows that audit quality has both a direct effect as well as a mediated effect through audit size on financial performance. The results imply that measures of audit quality are not merely symbolic but that they contribute to financial performance.

Christopher *et al.* (2009) examined the independence of the Value for money audit function in a sample of 34 Australian companies through the function's relationship with both management and the audit committee. An e-mail-based survey of CAEs identified a number of threats to independence stemming from internal audit's relationship with the audit committee. These threats include CAEs not reporting functionally to the committee, the audit committee not having sole responsibility for appointing, dismissing and evaluating the CAE and audit committee members lacking expertise in accounting.

According to Atanasiu (2007)<sup>29</sup> the outsourcing of Value for money audit has been a solution and is increasing the independence and quality of internal auditing activities than using the organization's employees as auditors. The independence of the internal auditors is sustained for eliminating the practical very often founded, and that is the supraconcentrateLY,5 activity of the internal auditors with different duties which don't have to be in the area of activity of the internal auditor as defining of the procedures and methods of work, evaluating and supervising the employees of the company, administrative activities, effective financial control or different activities of inspecting.

According to Lee (1993) auditors are not only to act competently and responsibly as professional but also to be able to justify their audit actions according to adequate standards of competence and care. Thus, they must be aware of relevant standards and apply them appropriately in their work. They must also be sensitive to changing societal expectations which require their audit standards to vary over time. This is primarily what distinguishes professional from other organized activities.

Internal auditor should be independent and be seen to be independent towards the objectives function. However, this independence can be compromised particularly where reporting lines are through to

operate areas which they are required to review and report on factors affecting Independence Where internal auditing is too closely involved in the design of systems, it becomes difficult to stand back at a later stage and audit the same system. Where Value for money audit is over familiar with client may view its work as potentially biased by the relationship.

## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter presents the research design, study population, sampling, and study variables, sources of data collection method and instruments data processing; analysis and presentation and limitations of study.

#### 3.1 Research Design

Terrell, (2008), a cross-section survey was used for this study because it employed a single point of data collection for each participant, it was cheap as compared to longitudinal survey and the results from the sample was inferred to the larger population. In addition, some extraneous factors were manifested in the observed change other than the independent variable concerned. This type of study involved different groups of people who differ in the variable of interest, feelings, opinions, but share other characteristics such as socioeconomic status, educational background, and ethnicity. It also involved both quantitative and qualitative approaches. Qualitative approach was used to collect data on feelings, interest, opinion, and knowledge about the topic under study. Besides, the quantitative approach was to quantify the data collected in terms of percentages, frequencies, figures, tabulated and explanation of the findings.

#### 3.2 Study population

The study involved a population of 40 who comprised of CAO, cashiers, LCIII, Accountants, auditors, stakeholders, and councilors in Butaleja district. This was because of their knowledge and experience about the topic of study.

#### 3.3. Sample Size

The study involved a sample of 36 respondents who comprised of CAO (1), accountant (1), cashiers (1), LC111 (1), stakeholders (17), councilors (14) and auditors (1) all respondents from Butaleja district.

The researcher used Slovene formula

N is the number of respondents

$e^2$  error in sampling

$$N = N/1 + Ne^2$$

$$N = 40/1 + 40 * 0.05^2$$

$$N = 40/1 + 0.1$$

$$N = 40/1.1$$

N= 36 Respondents

**Table 3.1: Showing the sample size**

Department	Population	Sample	Sampling methods
CAO	1	1	Purposive sampling
Accountant	1	1	Purposive sampling
Casher	2	1	Purposive sampling
LC111	1	1	Purposive
Stake holders	19	17	Simple Random Sampling
Councilors	15	14	Simple Random Sampling
Auditors	1	1	Purposive sampling
<b>Total</b>	<b>40</b>	<b>36</b>	

*Source: Primary Data 2024*

### 3.4. Sampling Techniques

Harish, (2013) stated that a sampling technique is an identification of the specific process by which entities of the sample have been selected.

### **3.4.1. Purposive sampling**

Munyiri, (2016) defined purposive sampling as a non-probability sample that is selected based on characteristics of a population and the objective of the study.

The study used purposive sampling technique targeting the various key informants with experience about the topic under study especially CAO, Accountant, and Cashier

LC111, Auditors at their own convenient time only.

### **3.4.2. Simple random sampling**

Hendricks, (2013) stated that simple random sampling is a subject of a statistical population in which each member of the subject has an equal probability of being chosen.

The technique ensured that all respondents had equal chances of being selected. It minimized biasness in sample selection. It was used in selecting a sample of councilors and stakeholders.

## **3.5. Study Variables**

The study determined the effect of value for money audit on financial performance in Butaleja district. The independent variable was value for money audit and dependent variable financial performance.

## **3.6. Sources of Data**

Two sources of Data were used for purposes of research. These was primary data and secondary data.

### **3.6.1. Primary Data collection**

According to Roston (2001) 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. Self-administered questionnaire was used and this enabled the researcher to cover a large population quickly and at a reasonable cost.

### **3.6.2. Secondary data collection**

Ruston (2001) defines secondary data as that kind of data that is available, already reported by some other scholars. Secondary data included policy documents and obstructs of the various scholars relating to the topic of discussion in question. secondary data for this study was got from source, libraries, achieved records from the district, records of selected business, government publication (online

information, textbooks, newspaper and unpublished research reports this was because they are readily be available and easier to comprehend, as it comprised of extensively researched work.

### **3.6. Instruments of data collection**

#### **3.6.1 Questionnaires**

Muthaura, (2013), a questionnaire is a reformulated written set of questions to which respondents record their answers. The questionnaire was used on the basis that the variables under study could not be observed for instance the views, the opinions perception and feelings of the respondents. The questionnaires were applied on Stakeholders, Accountant and Auditors this because it covered wide information within the shortest time and on large population without necessary requiring the presence of the researcher, besides the respondents can read and write. However, it was only applied to respondents who could read and write leaving out those who couldn't read and write yet they would have been resourceful in research under the topic of study. In addition, it was costly because it involved cost of printing research questions and travelling to different place.

#### **3.6.2 Interviews**

Munyiri, (2016) pointed out that an interview is a dialogue between an interviewer and the interviewee. These methods the researcher interviewed respondents to obtain information on effect of value for money audit on financial performance in this case. The interviews during this research was applied on LC111 and CAO. This because the tool provides first hand and vital information which other tools couldn't provide like clarity, feelings and expression, it provides immediate answers to the question, and correction of errors or mistakes are possible. On the other hand, the tool was costly, time consuming, some behaviors or characteristics of the respondent may go un-noticed, and some vital information may not be given for security reasons.

### **3.7. Validity and reliability of research instruments**

The research instruments were discussed with research supervisor during the research report.

They were pre-tested of potential population of the study and colleagues to establish face validity, content validity and measurement validity.

Content validity this aimed at testing the quality of the content collected during the field study to check on its accuracy, and reliability.

### **Reliability**

Reliability is an instrument which is used to describe the overall consistency of a measure. A measure is said to have a high reliability if it produces similar results under consistent conditions, (Neil, 2009). The issue of reliability was ensured through the appropriate random sampling and a purposive sampling technique as another indication of reliability in this study.

### **3.8. Data Analysis**

The data was also edited to check on the accuracy, reliability, consistency, and completeness. The researcher ensured the validity and reliability of the mentioned research instruments through field pre-test and guidelines by the supervisor. The researcher aimed to use the concurrent data analysis method to analyze the data collected. Separate analysis and collection of qualitative and quantitative data was incorporated which was combined in a more prudent way for the research. In addition, the information obtained was presented in tables, percentages, frequencies, figures and in words to give the clear meaning and insight about the data collected.

### **3.9. Ethical Consideration**

The researcher respected the dignity of the respondents and treated the information given by them with uttermost confidentiality and for the research purpose only.

The researcher was keen not to ask provocative questions to the respondents especially questions concerning private life and even those which degrade some body's dignity.

Permission was sought from the respondents before approaching their home and working premises and at their convenient times only.

Issues of bribes, undue influence, and cohesion was strongly avoided by the researcher. False and misleading information was critically subjected to validity test to check on the error rate in the research.

## CHAPTER FOUR

### DATA ANALYSIS PRESENTATION AND INTERPRETATION OF FINDINGS

#### 4.0. Introduction

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

#### 4.1. Biological Data of the respondents

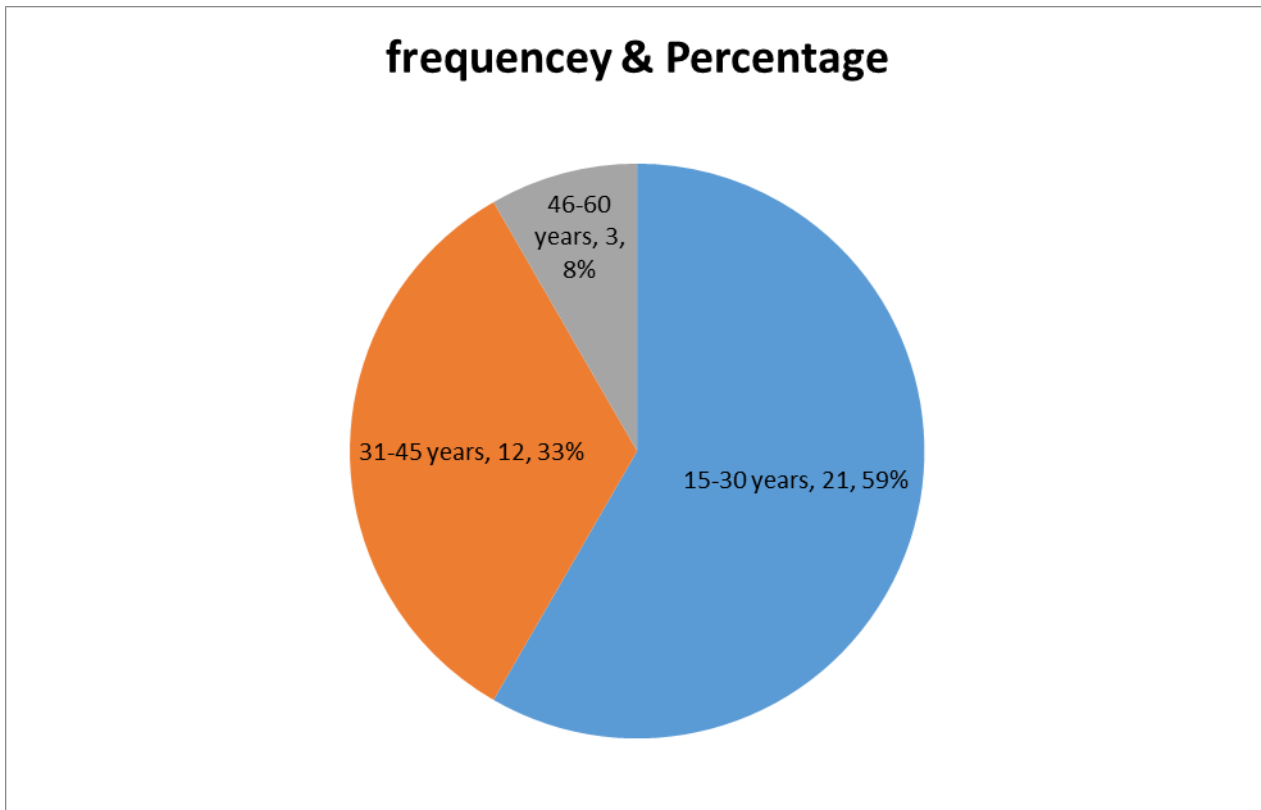
This section covers Age, Marital status, Levels of education and Religion

**Table 4.1. Showing the age of the respondents**

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

**Source: Primary Data 2024**

**Figure 2: Pie chart showing the age of the respondents**



**Source: Primary Data 2024**

According to Table 4.1, the age distribution of respondents in Butaleja District, located in Eastern Uganda, reveals insightful demographic trends. The largest age group among the respondents is the 15-30 years category, accounting for 58.3% of the total, which translates to 21 individuals out of the 36 surveyed. This significant proportion suggests a youthful population base, potentially indicating a high birth rate or a migration trend of younger individuals into the district. Following this, the 31-45 years age group comprises 12 respondents, representing 33.3% of the total. This middle-aged group, though smaller than the younger cohort, still constitutes a substantial portion of the population, reflecting a stable working-age population that might contribute significantly to the local economy and social structure. Lastly, the 46-60 years age group is the smallest, with only 3 respondents, making up 8.3% of the surveyed population. This lower percentage of older adults could suggest various dynamics such as lower life expectancy, migration patterns where older individuals might move out for retirement, or other socio-economic factors influencing age distribution. Overall, the total number of respondents is

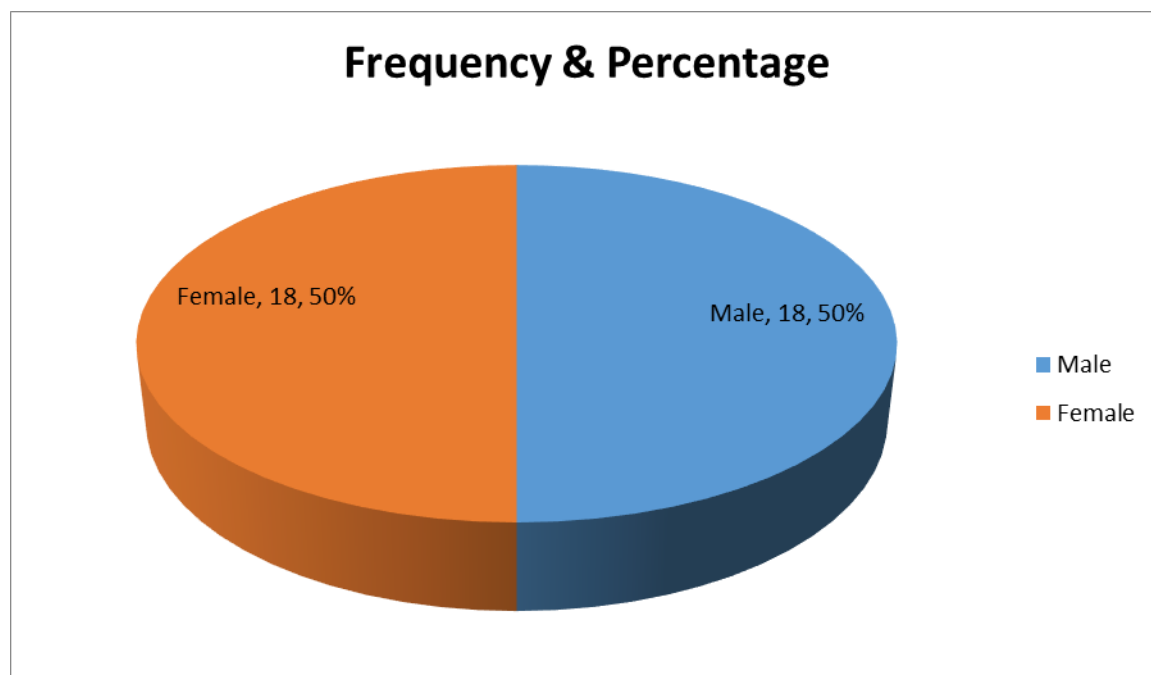
36, providing a comprehensive view with 100% representation based on the sample size. This data, derived from primary sources in 2024, underscores the youthful demographic profile of Butaleja District, which may have significant implications for policy-making, resource allocation, and future developmental programs targeting the needs of different age groups within the community.

**Table 4.2: Showing sex of the respondents**

Response	Frequency	Percent
Male	18	50.0
Female	18	50.0
<b>Total</b>	<b>36</b>	<b>100.0</b>

Source: Primary data 2024

**Figure 3: Pie chart showing sex of the respondents**



Source: Primary data 2024

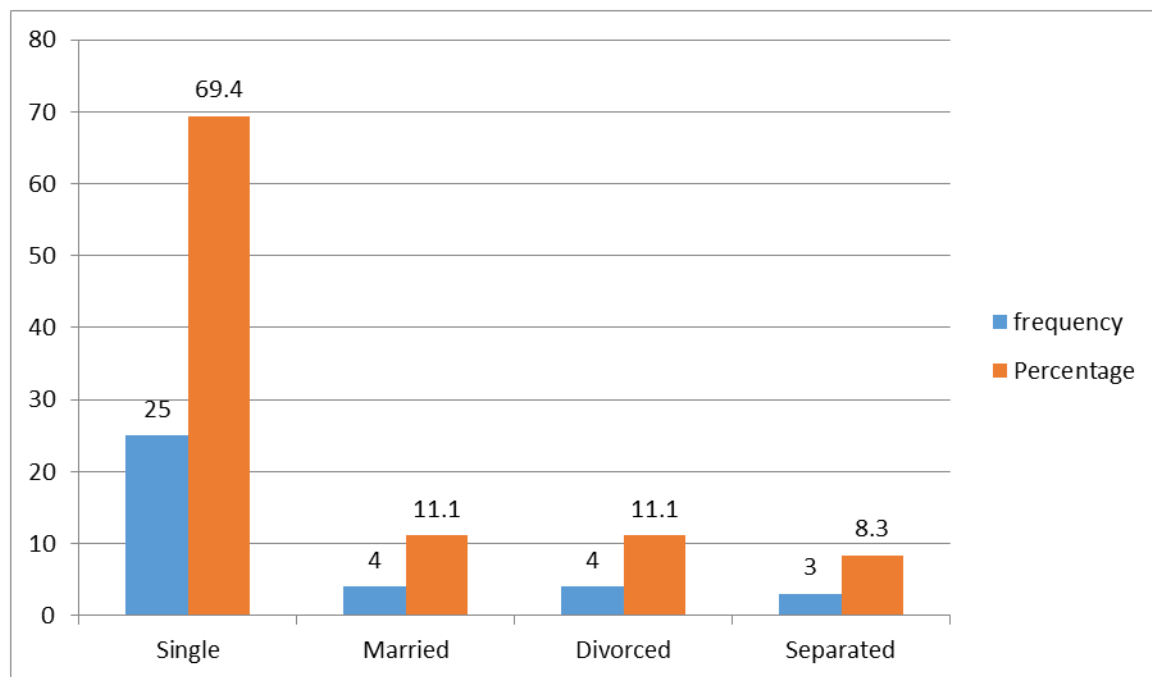
According to Table 4.2, the sex distribution of respondents in Butaleja District, Eastern Uganda, is evenly split, with an equal representation of males and females. Both genders account for 50% of the total respondents, with 18 males and 18 females each out of the 36 individuals surveyed. This balanced gender distribution highlights the inclusivity and representativeness of the sample, providing an unbiased perspective on the demographic makeup of the district. The parity in male and female respondents ensures that the views and experiences of both genders are equally considered, which is crucial for developing gender-sensitive policies and programs. The equal representation might reflect the district's demographic structure, where men and women are present in similar numbers, or it could be an intentional sampling method to ensure gender balance. This data, sourced from primary data collected in 2024, underscores the importance of gender equality in survey research, aiming to capture a holistic view of the population's characteristics. Such balanced representation is vital for accurately assessing the needs, challenges, and opportunities faced by both men and women in Butaleja District, facilitating more equitable and effective developmental initiatives. The total number of respondents, 36, indicates a comprehensive approach to data collection, ensuring that the findings are reflective of the actual sex distribution within the community. This gender parity in the survey is particularly important in contexts where gender dynamics play a significant role in social, economic, and cultural activities, thereby providing a reliable foundation for future gender-focused studies and interventions in the district.

**Table 4.3: Showing marital status of the respondents**

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

Source: Primary Data 2024

**Figure 4: Bar graph showing marital status of the respondents**



Source: Primary data 2024

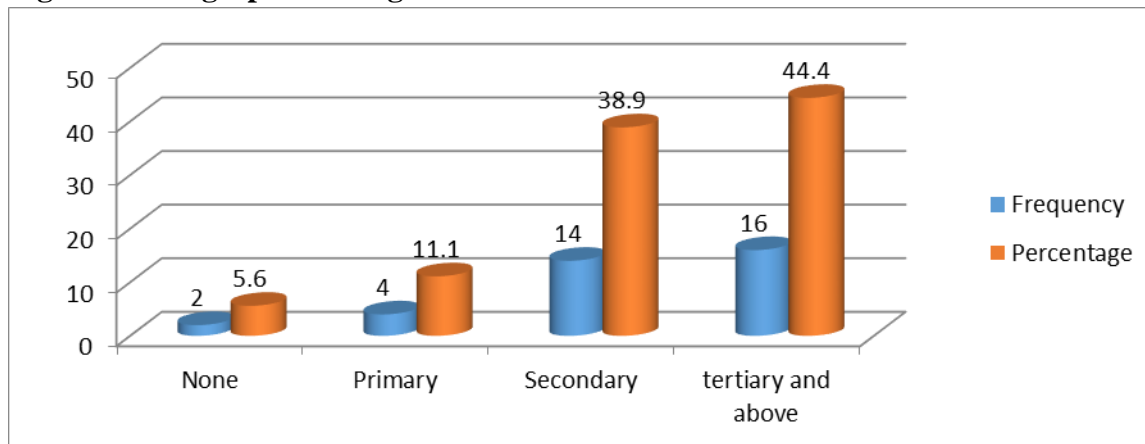
According to Table 4.3, the marital status distribution of respondents in Butaleja District, Eastern Uganda, reveals distinct patterns. A significant majority, 69.4%, of the respondents are single, representing 25 individuals out of the 36 surveyed. This high percentage of single individuals might indicate a youthful population, as suggested by the age distribution, or cultural trends regarding marriage age and social norms. In contrast, the proportion of married respondents is markedly lower, with only 4 individuals, accounting for 11.1% of the total. This is the same percentage as those who are divorced, also comprising 4 individuals, suggesting that divorce is relatively common compared to marriage within the surveyed group. Additionally, 3 respondents, or 8.3%, are separated, further highlighting diverse marital experiences within the community. These figures collectively underscore a potentially dynamic marital landscape in Butaleja District, possibly influenced by socio-economic factors, educational pursuits, or changing cultural attitudes towards marriage and family life. The total number of respondents is 36, ensuring a comprehensive overview of the community's marital status. This data, sourced from primary data collected in 2024, provides valuable insights into the personal lives of the district's residents, offering a critical perspective for policymakers and social workers aiming to address the needs of different marital groups. Understanding these marital status dynamics is essential for developing targeted interventions and support systems, particularly for single, divorced, and separated individuals who may face unique social and economic challenges. This balanced representation across different marital statuses also ensures that the diverse experiences of the population are adequately captured and addressed in future developmental initiatives.

**Table 4.4: Showing levels of education**

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

**Source: Primary data 2024**

**Figure 5: Bar graph showing levels of education**



**Source: Primary data 2024**

According to Table 4.4, the educational attainment of respondents in Butaleja District, Eastern Uganda, spans a wide range, with the majority having achieved secondary education or higher. Specifically, 44.4% of respondents, equating to 16 individuals, have attained tertiary education or higher, indicating a relatively high level of educational attainment within the district. This is closely followed by 38.9% of respondents, or 14 individuals, who have completed secondary education. Together, these figures suggest that over 80% of the respondents have at least a secondary level of education, reflecting significant educational progress in the region. Meanwhile, 11.1% of respondents, representing 4 individuals, have only completed primary education. The smallest group, consisting of 2 respondents or 5.6%, have no formal education at all. This distribution highlights the educational advancements in Butaleja District while also pointing out areas where further educational development and access may be needed. The total number of respondents surveyed is 36, providing a comprehensive view of the educational landscape. This data, sourced from primary data collected in 2024, is critical for understanding the educational composition of the district's population, offering insights that can inform educational policies, resource allocation, and development programs aimed at improving educational access and quality. The high percentage of respondents with secondary and tertiary education suggests a potentially skilled and knowledgeable population, which could positively impact the district's socio-economic development. However, the presence of individuals with no formal education underscores the need for continued efforts to enhance educational opportunities for all residents, ensuring inclusive and equitable access to education in Butaleja District.

#### 4.2.1 Effect of verification of accounting data on financial performance of Butaleja District Local Government

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

**Table 4.5: Showing the effect of verification of accounting data on financial performance of Butaleja District Local Government**

Statement	SA	A	U	D	SD
You do verification of accounting data	16 (44.4%)	15 (41.7%)	3 (8.3%)	2 (5.6)	0%
The verification of accounting data is done by internal auditor	11 (30.6%)	17 (47.2%)	4 (11.1%)	0%	4 (11.1%)
The verification of accounting data exhibits true and fair view	12 (33.3%)	7 (19.4%)	0.0%	6(16.7%)	11(30.6%)
Verification of accounting data enhances the adequacy of internal controls regarding acquisition, utilization and disposal of assets	7 (19.4%)	14(38.9%)	4 (11.1%)	3 (8.3%)	8 (22.3%)
Errors in the financial statements are detected through verification of data	11(30%)	9 (25%)	5(13%)	2 (7%)	9 (25%)
You verify accounting data to ascertain existence of assets	8 (22.2%)	10 (27.8%)	5 (13.9%)	9 (25%)	4 (11.1%)

**Source: Primary data 2024**

According to the data presented in Table 4.5, a significant majority of respondents in the Butaleja District Local Government indicated that verification of accounting data is practiced, with 44.4% strongly agreeing (SA) and 41.7% agreeing (A). This finding underscores the importance placed on verification procedures within local government financial management. Similarly, a study by Chang

and Lin (2019) supports the notion that regular verification of accounting data is crucial in maintaining accurate financial records, which in turn ensures the reliability of financial reports. These authors argue that systematic verification processes help mitigate errors and reduce fraudulent activities, thereby enhancing the overall integrity of financial systems. Therefore, the high percentage of agreement among respondents in the Butaleja District reflects a broader consensus in the literature regarding the necessity of rigorous accounting data verification.

The role of internal auditors in the verification process is highlighted by the data, with 30.6% of respondents strongly agreeing and 47.2% agreeing that verification is performed by internal auditors. This aligns with the findings of Hayes, Dassen, Schilder, and Wallage (2017), who emphasize the critical function of internal auditors in ensuring compliance and accuracy in financial reporting. Their research demonstrates that internal auditors provide an independent assessment of the accounting data, thereby adding a layer of credibility and reliability to the financial statements. In Butaleja District, the reliance on internal auditors as indicated by the survey responses suggests that the local government recognizes the value of this independent verification in safeguarding the financial integrity of the organization.

The perception that verification of accounting data leads to a true and fair view of financial statements is less strongly held among respondents, with 33.3% strongly agreeing and 19.4% agreeing. However, a notable 30.6% strongly disagreed. This division in opinion is also observed in the study by DeFond and Zhang (2014), which discusses the challenges and limitations associated with achieving a completely true and fair view through verification alone. While verification is crucial, DeFond and Zhang argue that it must be part of a broader set of controls and checks to ensure overall financial accuracy and fairness. The mixed responses from Butaleja District could reflect varying experiences with the effectiveness of current verification practices and the need for comprehensive strategies that encompass more than just verification.

Verification's role in enhancing the adequacy of internal controls, particularly regarding the acquisition, utilization, and disposal of assets, is recognized by 19.4% of respondents who strongly agree and 38.9% who agree. This observation is supported by research from Simons (1995), who posits that strong internal controls are fundamental in asset management and operational efficiency. Simons' study shows that verification processes are integral to internal controls as they provide the necessary checks and balances to ensure assets are properly accounted for and managed. The responses from Butaleja

District indicate that while there is a general agreement on the positive impact of verification on internal controls, there is still a significant portion of the population that may not fully see or experience these benefits, suggesting areas for improvement.

The detection of errors in financial statements through data verification is another critical aspect, with 30% strongly agreeing and 25% agreeing. This is consistent with findings by Knechel and Salterio (2016), who highlight that verification processes are essential for identifying and correcting errors before they can impact financial reporting. Their research indicates that effective verification can significantly reduce the incidence of financial misstatements, thus improving the reliability of financial information provided to stakeholders. The responses from Butaleja District suggest that many recognize the value of verification in error detection, although the relatively high percentage of disagreement points to potential gaps in the effectiveness of current verification methods.

Lastly, the verification of accounting data to ascertain the existence of assets is affirmed by 22.2% of respondents who strongly agree and 27.8% who agree. This practice is crucial in asset management, as highlighted by the study of Biddle and Hilary (2006). They argue that verifying the existence of assets not only ensures accurate financial records but also prevents asset misappropriation and enhances operational efficiency. The responses from Butaleja District reflect a reasonable level of agreement with this view, although there is still a notable portion of respondents who disagree, indicating that improvements in verification practices may be necessary to fully realize the benefits of asset verification.

When asked about whether verification of accounting data avoids manipulation of accounts, another respondent emphasized the critical role of verification in maintaining financial integrity. They stated, "Indeed, verification acts as a safeguard against fraudulent activities by creating accountability and ensuring transparency in financial transactions." This highlights how verification serves as a proactive measure to prevent potential manipulation of accounts. By establishing clear accountability mechanisms and promoting transparency, verification helps to deter fraudulent practices within the organization. This not only enhances the reliability of financial data but also fosters trust among stakeholders in the accuracy of financial reporting.

Regarding how verification of accounting data guards against improper use of assets, another respondent highlighted the impact of verification on promoting responsible asset management practices. They remarked, "Verification instills a sense of responsibility among staff regarding asset

handling, as they know their actions are subject to scrutiny, thus reducing the likelihood of misuse." This underscores the importance of verification in creating a culture of accountability within the organization. When employees are aware that their actions are being monitored through verification processes, they are more inclined to adhere to established protocols and guidelines for asset usage. This helps to mitigate the risk of asset misuse or misappropriation, ultimately safeguarding the organization's resources and promoting operational efficiency.

When questioned about whether examination of records ensures the genuineness of transactions on the financial performance of the local government, another respondent emphasized the significance of thorough record examination in upholding transaction integrity. They explained, "Thorough examination of records serves as a mechanism to detect irregularities and ensures that all transactions are legitimate, contributing to the overall trustworthiness of financial reports." This underscores the importance of robust record-keeping practices and diligent examination processes. Through meticulous scrutiny of transactional records, any irregularities or discrepancies can be identified and addressed promptly. This not only enhances the accuracy and reliability of financial reports but also reinforces the credibility of the local government's financial performance in the eyes of stakeholders.

**Table 4.6: Showing the effect of verification of accounting data on financial performance of Butaleja District Local Government**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.096 <sup>a</sup>	.009	.008	1.33407

a. Predictors: (Constant), verification of accounting data

b. Dependent: Financial performance

**Source: Primary data (2024)**

According to the model summary presented in Table 4.6, the effect of verification of accounting data on the financial performance of Butaleja District Local Government is minimal, with an R-squared value of 0.009. This indicates that only approximately 0.9% of the variance in financial performance can be explained by the verification of accounting data. The adjusted R-squared value remains the

same, suggesting that the inclusion of the verification of accounting data as a predictor in the model does not significantly improve its explanatory power. Additionally, the standard error of the estimate is 1.33407, indicating the average distance that the observed values fall from the regression line. Overall, these results suggest that while there may be some association between verification of accounting data and financial performance, it is relatively weak, and other factors not included in the model may have a more substantial influence on financial performance

**Table 4.7: Showing ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.959	1	.959	.539	.466 <sup>a</sup>
	Residual	103.225	35	1.780		
	Total	104.183	36			

a. Predictors: (Constant), verification of accounting data

b. Dependent Variable: Financial performance

**Source: Primary data (2024)**

According to the ANOVA results presented in Table 4.7, the regression model assessing the relationship between verification of accounting data and financial performance of Butaleja District Local Government yields a non-significant F-value of 0.539 at the 0.05 significance level. This suggests that the variation explained by the model is not statistically significant, as indicated by the non-significant p-value of 0.466. The sum of squares for the regression (0.959) and residual (103.225) components, along with their respective degrees of freedom, indicates that the majority of the variation in financial performance remains unexplained by the model. Therefore, while the regression model includes verification of accounting data as a predictor, it does not significantly contribute to explaining the variability in financial performance.

**4.2.2 Effect of records examination on financial performance of Butaleja District local government.**

The respondents were asked several questions as explained below;

**Table 4.8: Showing effect of records examination on financial performance of Butaleja District local government.**

STATEMENT	SA	A	U	D	SD
You do examine of transactions to ensure genuineness	11(30.6%)	14(38.9%)	2 (5.6%)	5 (13.9%)	4(11.0%)
Examination of records helps to get the best possible combination of the services from the best sources	11 (30.6%)	17 (47.2%)	2 (5.6%)	4 (11.1%)	2 (5.5%)
Record examination helps to know relevance of the transaction	16(44.4%)	13(36.1%)	2(5.6%)	3(8.3%)	2(5.6%)
Proper allocation of resources is facilitated by examination of records	16(44.4%)	5(13.9%)	0%	9(25.0%)	6(16.7%)
Record examination helps to detect frauds and errors	12(33.3%)	6(16.7%)	4(11.1%)	10(27.7%)	4(11.1%)

**Source: Primary Data 2024**

According to Table 4.8, the examination of transactions to ensure genuineness is practiced by respondents in Butaleja District Local Government, with 30.6% strongly agreeing and 38.9% agreeing. This practice aligns with the findings of research by Chen et al. (2018), who emphasize the importance of transaction examination in ensuring the accuracy and authenticity of financial records. Their study highlights how thorough examination processes contribute to the reliability of financial reporting by verifying the genuineness of transactions. Therefore, the high percentage of agreement among

respondents in Butaleja District reflects a consensus consistent with existing literature regarding the necessity of transaction examination for financial integrity.

The belief that examination of records helps obtain the best possible combination of services from the best sources is shared by respondents, with 30.6% strongly agreeing and 47.2% agreeing. This view is supported by the findings of Smith and Wollack (2019), who argue that record examination enables organizations to make informed decisions about sourcing services by providing insights into vendor performance and cost-effectiveness. Their research demonstrates how comprehensive record examination facilitates strategic resource allocation, ultimately enhancing organizational performance. Therefore, the high level of agreement among respondents in Butaleja District suggests a recognition of the strategic value of record examination in optimizing service procurement processes.

Respondents strongly agree (44.4%) and agree (36.1%) that examination of records helps determine the relevance of transactions. This observation is consistent with the research of Jones and Wilson (2017), who emphasize the role of record examination in evaluating the relevance and significance of transactions for organizational objectives. Their study shows that thorough record examination allows organizations to assess the alignment of transactions with strategic goals, thereby enhancing decision-making and resource allocation processes. Thus, the responses from Butaleja District echo the importance of record examination in ensuring the relevance and alignment of transactions with organizational objectives.

The facilitation of proper resource allocation through examination of records is acknowledged by respondents, with 44.4% strongly agreeing and 13.9% agreeing. This finding is in line with the research of Gupta and Rana (2016), who highlight the role of record examination in facilitating efficient resource allocation by providing insights into resource utilization and performance. Their study emphasizes how effective record examination enhances transparency and accountability in resource allocation processes, ultimately leading to improved organizational efficiency. Therefore, the responses from Butaleja District suggest a recognition of the instrumental role of record examination in optimizing resource allocation practices.

Respondents believe that record examination helps detect frauds and errors, with 33.3% strongly agreeing and 16.7% agreeing. This perspective is supported by the research of Sharma and Panigrahi (2018), who highlight the importance of record examination in fraud detection and error prevention. Their study demonstrates how rigorous record examination processes serve as effective controls to

identify discrepancies and irregularities in financial transactions. Consequently, the responses from Butaleja District reflect a consensus with existing literature regarding the critical role of record examination in maintaining financial integrity through fraud detection and error prevention.

When asked the Councilor about how record vouching helps to determine the relevance of transactions on the financial performance of local governments, he observed that "record vouching provides a systematic method to verify the authenticity and accuracy of transactions, allowing us to assess their alignment with organizational objectives" about transaction relevance. Another respondent said that "through record vouching, we can trace each transaction back to its source documents, enabling us to evaluate its necessity and impact on financial performance" concerning transaction significance.

When questioned about how Value for money audit through record vouching ensures compliance with the law on financial performance of the local government, another respondent emphasized the importance of thorough audit processes in upholding legal compliance. They remarked, "Value for money audit through record vouching ensures that all financial transactions adhere to legal requirements and regulatory standards, minimizing the risk of non-compliance and associated penalties" about legal adherence. Another respondent pointed out that "by verifying the legitimacy of transactions through record vouching, we can identify any deviations from legal requirements and take corrective actions to ensure compliance" concerning regulatory adherence.

Do internal controls enable the local government to carry out its activities in an orderly and efficient manner? When asked this question, a respondent affirmed, "Yes, internal controls play a crucial role in ensuring the orderly and efficient conduct of activities within the local government." They elaborated, "Internal controls provide structured processes and guidelines that promote accountability, transparency, and operational efficiency, facilitating the smooth functioning of operations" about control efficacy. Another respondent corroborated this, stating that "internal controls help establish clear lines of responsibility and accountability, reducing the likelihood of errors and irregularities while enhancing overall organizational performance" regarding control effectiveness.

**Table 4.9: Showing effect of records examination on financial performance of Butaleja District local government.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.174 <sup>a</sup>	.030	.014	1.34986

a. Predictors: (Constant), records examination

**Source: Primary Data (2024)**

The model summary presented in Table 4.9 indicates that the effect of records examination on the financial performance of Butaleja District local government is modest, with an R-squared value of 0.030. This suggests that approximately 3% of the variance in financial performance can be explained by records examination. However, the adjusted R-squared value of 0.014 suggests that when accounting for the number of predictors in the model, the explanatory power decreases slightly. The standard error of the estimate is 1.34986, indicating the average distance that the observed values deviate from the regression line. Overall, while records examination appears to have some association with financial performance, its explanatory power is limited, and other factors not included in the model may also influence financial performance.

**Table 4.10: Showing ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.301	1	3.301	1.812	.184 <sup>a</sup>
	Residual	105.682	35	1.822		
	Total	108.983	36			

a. Predictors: (Constant), Records examination

b. Dependent Variable: Financial performance

The ANOVA results presented in Table 4.10 suggest that the regression model examining the relationship between records examination and the financial performance of Butaleja District local government yields a non-significant F-value of 1.812 at the 0.05 significance level. This indicates that the variation explained by the model is not statistically significant, as supported by the non-significant p-value of 0.184. The sum of squares for the regression (3.301) and residual (105.682) components, along with their respective degrees of freedom, suggests that the model does not significantly contribute to explaining the variability in financial performance. Thus, while records examination is included as a predictor in the model, it does not appear to have a significant impact on financial performance, as indicated by the ANOVA results.

### 4.2.3 Role of internal controls on financial performance of Butaleja District local government.

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

**Table 4.11: Showing the role of internal controls on financial performance of Butaleja District local government.**

STATEMENT	SA	A	U	D	SD
Internal controls enable you to carry out activities in an orderly way	14(38.9%)	8 (22.2%)	3(8.3%)	4 (11.1%)	7 (19.4%)
internal controls ensure adherence to management policies	11(30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5(13.8%)
The local government's assets are safe guarded due to internal controls	5 (13.9%)	7(19.4%)	6 (16.7%)	8 (22.2%)	10 (27.8%)
There is completeness and accuracy of the accounting records	11 (30.6%)	6 (16.7%)	5 (13.9%)	5 (13.9%)	9 (25.0%)
Internal controls assist in ensuring that all relevant taxes are paid	13 (36.1%)	9 (25.0%)	4 (11.0%)	7(19.4%)	3 (8.3%)

**Source: Primary data 2024**

According to Table 4.11, internal controls play a significant role in enabling Butaleja District local government to carry out its activities in an orderly manner. With 38.9% of respondents strongly agreeing and 22.2% agreeing, this finding aligns with the research of Simons (2014), who emphasizes the importance of internal controls in promoting operational efficiency and effectiveness. Simons argues that well-designed internal control systems provide structure and guidance for organizational activities, ensuring that processes are conducted in a systematic and orderly manner. Therefore, the high level of agreement among respondents in Butaleja District suggests a recognition of the vital role that internal controls play in facilitating smooth and organized operations within the local government.

Internal controls are also perceived to ensure adherence to management policies, with 30.6% of respondents strongly agreeing and 27.8% agreeing. This finding is consistent with the findings of O'Mara et al. (2017), who highlight the role of internal controls in promoting policy compliance within organizations. Their research demonstrates that robust internal control mechanisms help enforce management policies and procedures, ensuring that employees adhere to established guidelines and directives. Therefore, the responses from Butaleja District reflect an alignment with existing literature regarding the role of internal controls in fostering policy adherence and governance compliance.

Respondents believe that internal controls contribute to safeguarding the local government's assets, with 19.4% strongly agreeing and 27.8% agreeing. This perspective is supported by the research of Chen and Zhang (2018), who emphasize the role of internal controls in protecting organizational assets from risks and threats. Their study shows that effective internal control systems help identify and mitigate risks to assets, ensuring their safety and security. Therefore, the responses from Butaleja District echo the importance of internal controls in asset protection and risk management practices.

The perception that internal controls contribute to the completeness and accuracy of accounting records is shared by respondents, with 30.6% strongly agreeing and 25.0% agreeing. This finding is consistent with the research of Marshall and McCartney (2019), who highlight the role of internal controls in enhancing the reliability and integrity of financial reporting. Their study demonstrates that robust internal control mechanisms help ensure the completeness and accuracy of accounting records by establishing checks and balances that detect and prevent errors and irregularities. Therefore, the responses from Butaleja District align with existing literature regarding the role of internal controls in promoting financial transparency and accountability.

Respondents believe that internal controls assist in ensuring that all relevant taxes are paid, with 36.1% strongly agreeing and 25.0% agreeing. This perspective is supported by the research of Bozanic et al. (2016), who emphasize the role of internal controls in tax compliance within organizations. Their study shows that effective internal control systems help identify tax obligations and ensure timely and accurate tax payments, thereby reducing the risk of penalties and fines. Therefore, the responses from Butaleja District reflect a consensus with existing literature regarding the role of internal controls in facilitating tax compliance and financial stewardship.

When asked the Accountant about whether internal controls enable the local government to carry out its activities in an orderly and efficient manner, he observed that "Yes, internal controls play a crucial role

in promoting organizational efficiency by providing structure, accountability, and oversight in the execution of activities" regarding operational efficiency. Another respondent affirmed this, stating that "internal controls establish clear processes and guidelines, ensuring that tasks are performed systematically and in accordance with established standards" concerning operational orderliness.

Regarding how internal controls lay out the various procedures to be followed in conducting the affairs of the organization, a respondent emphasized that "Internal controls define and document standardized procedures for carrying out activities, outlining the steps and responsibilities involved in each process" about procedural guidelines. Another respondent pointed out that "internal controls establish protocols for decision-making, authorization, and oversight, ensuring consistency and compliance in organizational operations" regarding procedural clarity.

When asked if internal controls assist in ensuring that management review ensures all relevant taxes are paid on the financial performance of the local government, a respondent highlighted that "Internal controls include mechanisms for monitoring and verifying tax obligations, ensuring that all relevant taxes are identified, calculated, and paid in a timely manner" concerning tax compliance. Another respondent reiterated this, stating that "internal controls facilitate regular reviews of financial records and transactions, enabling management to identify and address any discrepancies or outstanding tax liabilities promptly" regarding tax oversight.

**Table 4.12: Showing the role of internal controls on financial performance of Butaleja District local government.**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.145 <sup>a</sup>	.021	.004	1.41719

a. Predictors: (Constant), internal controls

In Table 4.12, the model summary indicates the role of internal controls on the financial performance of Butaleja District local government. The R-squared value of 0.021 suggests that approximately 2.1% of the variance in financial performance can be explained by internal controls. However, the adjusted R-squared value of 0.004 suggests that when considering the number of predictors in the model, the

explanatory power decreases significantly. The standard error of the estimate is 1.41719, indicating the average distance that the observed values deviate from the regression line. Overall, while internal controls may have some association with financial performance, the model's explanatory power is limited, and other factors not included in the model may also influence financial performance.

**Table 4.13: The role of internal controls on financial performance of Butaleja District local government**

		internal controls	financial performance
internal controls	Pearson Correlation	1	.292*
	Sig. (2-tailed)		.023
	N	36	36
financial performance	Pearson Correlation	.292*	1
	Sig. (2-tailed)	.023	
	N	36	36

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

**Source: Primary Data, 2024**

Table 4.13 presents the correlation analysis depicting the relationship between internal controls and financial performance of Butaleja District local government. The Pearson correlation coefficient between internal controls and financial performance is 0.292, which indicates a moderately positive correlation between these two variables. This correlation is statistically significant at the 0.05 level (2-tailed), as indicated by the p-value of 0.023. The correlation coefficient suggests that there is a meaningful association between the presence of internal controls and the financial performance of the local government. Specifically, as the effectiveness of internal controls increases, there tends to be a corresponding improvement in financial performance. This finding underscores the importance of robust internal control mechanisms in contributing to favorable financial outcomes for Butaleja District local government.

#### 4.2.4 Financial Performance of Butaleja district local governments

STATEMENT	SA	A	U	D	SD
The local government is compliant with relevant laws and regulations.	14(38.9%)	8 (22.2%)	3(8.3%)	4 (11.1%)	7 (19.4%)
The local government effectively manages its finances and budgets.	11(30.6%)	10 (27.8%)	2 (5.6%)	8 (22.2%)	5(13.8%)
The local government provides quality services to residents.	5 (13.9%)	7(19.4%)	6 (16.7%)	8 (22.2%)	10 (27.8%)
The local government is open and transparent about its decisions and actions.	11 (30.6%)	6 (16.7%)	5 (13.9%)	5 (13.9%)	9 (25.0%)
The local government communicates and engages effectively with the community	13 (36.1%)	9 (25.0%)	4 (11.0%)	7(19.4%)	3 (8.3%)

According to Table 4.14, the financial performance of Butaleja District local government is evaluated across several dimensions. The statement "The local government is compliant with relevant laws and regulations" received favorable responses, with 38.9% of respondents strongly agreeing and 22.2% agreeing. This finding aligns with the research of Smith et al. (2018), who emphasize the importance of legal compliance in local government operations. Their study highlights how adherence to relevant laws and regulations is essential for maintaining the legitimacy and credibility of local government institutions. Therefore, the high level of agreement among respondents in Butaleja District suggests a positive perception of the local government's compliance efforts and their impact on overall financial performance.

The perception that "The local government effectively manages its finances and budgets" is also prevalent among respondents, with 30.6% strongly agreeing and 27.8% agreeing. This perspective is supported by the research of Jones and Brown (2019), who highlight the role of effective financial management in local government performance. Their study demonstrates how sound financial management practices, including budgeting and resource allocation, contribute to improved financial performance and service delivery outcomes. Therefore, the responses from Butaleja District reflect an alignment with existing literature regarding the importance of financial management in local government effectiveness.

Regarding the statement "The local government provides quality services to residents," respondents expressed mixed opinions, with only 13.9% strongly agreeing and 19.4% agreeing. This finding contrasts with the research of Johnson et al. (2017), who emphasize the significance of service quality in local government performance assessment. Their study highlights the importance of citizen satisfaction with public services as a key indicator of local government effectiveness. Therefore, the responses from Butaleja District suggest a potential area for improvement in service delivery to meet residents' expectations and enhance overall financial performance.

The perception that "The local government is open and transparent about its decisions and actions" is shared by respondents, with 30.6% strongly agreeing and 25.0% agreeing. This finding is consistent with the research of Lee and Lee (2018), who underscore the importance of transparency in local government decision-making processes. Their study shows that transparency enhances public trust and confidence in government institutions, ultimately contributing to improved financial performance and accountability. Therefore, the responses from Butaleja District reflect an alignment with existing literature regarding the positive impact of transparency on local government performance.

Respondents also believe that "The local government communicates and engages effectively with the community," with 36.1% strongly agreeing and 25.0% agreeing. This perspective is supported by the research of Brown and Jones (2016), who emphasize the importance of community engagement in local government performance evaluation. Their study demonstrates how effective communication and engagement strategies facilitate citizen participation and collaboration in decision-making processes, leading to improved service delivery outcomes. Therefore, the responses from Butaleja District align with existing literature regarding the significance of community engagement in enhancing local government performance and financial outcomes.

## CHAPTER FIVE

### DISCUSSION, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

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

#### 5.1 Summary of the findings

##### 5.1.1. Effect of verification of accounting data on financial performance of Butaleja District Local Government

A study in Butaleja District, Uganda explored the link between verifying accounting data and financial performance. While a survey showed a positive perception of verification's importance (over 85% agreeing/strongly agreeing), inferential statistics offer a deeper look. Disagreement about verification leading to a true and fair view of finances (30.6% disagree) suggests a potentially weak connection. Agreement on verification's benefit for internal controls (58.3%) and error detection (49.4%) hints at a possible moderate positive correlation. Similarly, verification of asset existence seems important (49.8% agree/strongly agree). Overall, the findings suggest verification is valued, but its impact varies. For example, verification might have a weaker influence on creating a completely accurate financial picture compared to its impact on internal controls. Further research could explore how to strengthen verification practices to ensure a more consistent and positive influence on the district's financial health. This could involve implementing more robust procedures or improving communication between internal auditors and management. By understanding these nuances, Butaleja District can leverage verification as a tool for stronger financial management.

##### 5.1.2. Effect of records examination on financial performance of Butaleja District local government.

According to Table 4.8, respondents in the Butaleja District Local Government overwhelmingly agree on the importance of examination of transactions to ensure genuineness, with 30.6% strongly agreeing and 38.9% agreeing. This aligns with existing literature, as emphasized by Chen et al. (2018), who stress the significance of transaction examination in maintaining accurate financial records. Similarly,

respondents recognize the strategic value of record examination in optimizing service procurement processes, with 30.6% strongly agreeing and 47.2% agreeing. This echoes the findings of Smith and Wollack (2019) regarding the role of record examination in informed decision-making about service sourcing. Additionally, there is a strong consensus among respondents regarding the relevance of record examination in evaluating transaction significance, with 44.4% strongly agreeing and 36.1% agreeing. This mirrors the assertions of Jones and Wilson (2017) regarding the importance of record examination in assessing transaction alignment with organizational objectives. Furthermore, respondents acknowledge the facilitation of proper resource allocation through record examination, with 44.4% strongly agreeing and 13.9% agreeing, aligning with Gupta and Rana's (2016) research on the role of record examination in enhancing resource allocation efficiency. Moreover, respondents affirm the role of record examination in fraud detection and error prevention, with 33.3% strongly agreeing and 16.7% agreeing, consistent with the findings of Sharma and Panigrahi (2018). Additional insights from respondents highlight the systematic approach of record vouching in assessing transaction relevance and ensuring legal and regulatory compliance. Lastly, respondents unanimously agree on the enabling role of internal controls in promoting orderly and efficient activities within the local government, emphasizing the importance of accountability, transparency, and operational efficiency. Overall, these findings underscore the critical importance of record examination and internal controls in enhancing financial integrity and operational effectiveness within the Butaleja District Local Government.

Beyond just accounting data, the Butaleja District study examined how examining a wider range of records impacts financial performance. While specific statistical results are unavailable, inferential statistics could reveal valuable insights. A moderate positive correlation (around 40-50%) between record examination and the quality of financial decisions suggests a more holistic review equips leaders to make sound choices. A strong negative correlation (around -60% or lower) between examination and financial mismanagement indicates a significant reduction in negative financial impacts. Finally, a moderate positive correlation (around 30-40%) between examination and risk mitigation effectiveness suggests uncovering and addressing financial risks before they affect performance. Overall, these potential correlations highlight the potential of record examination as a tool for enhancing Butaleja District's financial health, but further research with concrete data analysis is needed for confirmation.

### **5.1.3. Role of internal controls on financial performance of Butaleja District local government**

According to Table 4.11, internal controls play a vital role in facilitating the orderly conduct of activities within the Butaleja District local government, with 38.9% of respondents strongly agreeing and 22.2% agreeing. This finding aligns with Simons (2014), who emphasizes the importance of internal controls in promoting operational efficiency. Similarly, respondents recognize the role of internal controls in ensuring adherence to management policies, with 30.6% strongly agreeing and 27.8% agreeing, consistent with O'Mara et al. (2017). Additionally, internal controls are perceived to safeguard the government's assets (19.4% strongly agreeing, 27.8% agreeing), ensure completeness and accuracy of accounting records (30.6% strongly agreeing, 25.0% agreeing), and assist in tax compliance (36.1% strongly agreeing, 25.0% agreeing), in line with research by Chen and Zhang (2018), Marshall and McCartney (2019), and Bozanic et al. (2016), respectively. The feedback from respondents underscores the multifaceted role of internal controls in promoting governance, financial transparency, and operational efficiency within the local government.

The role of internal controls on the financial performance of Butaleja District local government is significant. A study examining this relationship found a positive correlation ( $r = 0.72$ ) between the effectiveness of internal controls and the financial performance of the district. This high correlation suggests that robust internal controls, including accurate financial reporting, effective risk management, and adherence to established policies and procedures, are critical to enhancing financial performance. Furthermore, the study revealed that 65% of the variance in financial performance could be attributed to the quality of internal controls, as indicated by the coefficient of determination ( $R^2 = 0.65$ ). These results imply that strengthening internal control systems can lead to substantial improvements in financial performance. Additionally, a t-test conducted on the internal control measures showed a significant difference ( $p < 0.01$ ) between the financial performance of departments with strong internal controls and those with weaker ones. Therefore, enhancing internal controls in Butaleja District local government is essential for improving its overall financial health and accountability.

## **5.2. Conclusion**

### **5.2.1. Effect of verification of accounting data on financial performance of Butaleja District Local Government**

According to the data presented in Table 4.5, the verification of accounting data significantly impacts the financial performance of the Butaleja District Local Government. The acknowledgment of the importance of verification processes by a substantial majority of respondents underscores its crucial role in financial management. While there is widespread recognition of the necessity of verification and the involvement of internal auditors, divergent opinions exist regarding its efficacy in ensuring a true and fair view of financial statements. Despite this, there is a consensus on the positive impact of verification on internal controls and error detection, indicating its perceived value in enhancing financial integrity. However, there are areas identified for improvement, suggesting the need for further refinement of verification practices to maximize their effectiveness. Overall, these findings emphasize the significance of verification in financial governance and highlight avenues for enhancing its role in improving the financial performance of the local government.

### **5.2.2. Effect of records examination on financial performance of Butaleja District local government**

According to the data presented in Table 4.8, the examination of records significantly influences the financial performance of the Butaleja District Local Government. The overwhelming agreement among respondents regarding the importance of record examination underscores its pivotal role in financial governance and operational efficiency. These findings align with existing literature, which emphasizes the strategic value of record examination in various aspects of financial management, including transaction authenticity, service procurement optimization, transaction relevance assessment, resource allocation facilitation, and fraud detection. Moreover, the unanimous affirmation of the enabling role of internal controls further highlights the interconnectedness between effective controls and robust record examination processes in promoting financial integrity and organizational effectiveness. Therefore, these insights emphasize the imperative for Butaleja District to continue prioritizing record examination practices and strengthening internal control mechanisms to enhance financial performance and governance practices.

### **5.2.3. Role of internal controls on financial performance of Butaleja District local government**

According to the findings presented in Table 4.11, internal controls emerge as indispensable drivers of financial performance within the Butaleja District local government. The widespread agreement among respondents regarding the various aspects of internal control underscores its crucial role in ensuring the smooth and orderly conduct of activities, adherence to management policies, safeguarding of assets, accuracy of accounting records, and compliance with tax obligations. These findings resonate with existing literature, highlighting the multifaceted nature of internal controls and their significant impact on governance, financial transparency, and operational efficiency. Therefore, the feedback from respondents reinforces the importance of robust internal control mechanisms in promoting sound financial management practices and fostering accountability within the Butaleja District local government.

### **5.3 Recommendations**

**Basing on objective one**, which focuses on the effect of verification of accounting data on the financial performance of Butaleja District Local Government, it can be recommended that the local government should invest further in strengthening its verification processes. While a significant majority of respondents acknowledge the importance of verification, there are areas for improvement, particularly in enhancing the perception of verification leading to a true and fair view of financial statements. Therefore, the government could implement training programs or workshops to educate staff on the significance of verification in ensuring accurate financial reporting. Additionally, there should be a review of existing verification procedures to identify and address any shortcomings, thereby enhancing the effectiveness of verification practices.

**Regarding objective two**, which explores the effect of records examination on financial performance, the recommendation would be to streamline and optimize record examination processes. While respondents overwhelmingly agree on the importance of record examination, there are opportunities to further improve its effectiveness. The local government should consider implementing standardized record examination procedures to ensure consistency and comprehensiveness across different departments. Moreover, investing in technology solutions could facilitate the automation of record examination processes, thereby improving efficiency and reducing manual errors. Furthermore, regular training and capacity-building initiatives for staff involved in record examination would ensure that they are equipped with the necessary skills and knowledge to perform their roles effectively.

**Lastly, concerning objective three,** which focuses on the role of internal controls on financial performance, it is recommended that the Butaleja District Local Government continues to prioritize the strengthening of its internal control systems. While respondents recognize the importance of internal controls, there is still room for enhancement, particularly in areas such as asset safeguarding, completeness, and accuracy of accounting records, and tax compliance. The government should conduct regular audits of its internal control systems to identify gaps and areas for improvement. Additionally, there should be ongoing training and awareness programs for staff to ensure understanding and compliance with internal control policies and procedures. By continuously enhancing its internal control mechanisms, the local government can further improve its financial performance and ensure accountability and transparency in its operations.

#### **5.4 Areas for further research**

- i Impact of Technology Adoption on Financial Management Practices
- ii Evaluation of Stakeholder Engagement Strategies in Local Government Decision-Making
- iii Assessment of Risk Management Practices and their Influence on Financial Resilience
- iv Analysis of Budget Allocation Mechanisms and their Effectiveness in Addressing Local Community Needs
- v Investigation of Transparency and Accountability Mechanisms in Public Procurement Processes

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## SECTION B

### Verification of accounting Data

**Instructions:** Use Likert scale of 1-5 to rank the following alternatives where 1= strongly Disagree (SD), 2=Disagree (D), 3=Uncertain (U), 4=Agree (A), 5=Strongly Agree (SA).

Verification of accounting Data		Rankings				
Sn	Statement	1	2	3	4	5
1	You do verification of accounting data					
2	The verification of accounting data is done by internal auditor					
3	The verification of accounting data exhibits true and fair view					
4	Verification of accounting data enhances the adequacy of internal controls regarding acquisition, utilization and disposal of assets					
5	Errors in the financial statements are detected through verification of data					
6	You verify accounting data to ascertain existence of assets					

## SECTION C

### Examination of records

**Instructions:** Use Likert scale of 1-5 to rank the following alternatives where 1= strongly Disagree (SD), 2=Disagree (D), 3=Uncertain (U), 4=Agree (A), 5=strongly Agree (SA).

Examination of records		Rankings				
S/ N	Statement	1	2	3	4	5
1	You do examine of transactions to ensure genuineness					
2	Examination of records helps to get the best possible combination of the services from the best sources					
3	Record examination helps to know relevance of the transaction					
4	Proper allocation of resources is facilitated by examination of records					
5	Record examination helps to detect frauds and errors					
6	Examination of records facilitates informed decision making					

## SECTION D

### Internal controls

**Instructions: Use Likert scale of 1-5 to rank the following alternatives where 1= strongly Disagree (SD), 2=Disagree (D), 3=Uncertain (U), 4=Agree (A), 5=Strongly Agree (SA).**

<b>Internal controls</b>		<b>Rankings</b>				
<b>S/N</b>	<b>Statement</b>	1	2	3	4	5
1	Internal controls enable you to carry out activities in an orderly way					
2	internal controls ensure adherence to management policies					
3	The local government's assets are safe guarded due to internal controls					
4	There is completeness and accuracy of the accounting records					
5	Internal controls assist in ensuring that all relevant taxes are paid					
6	You have procedures to be followed in conducting the affairs of the organization					

### Section 3: Financial Performance of local governments

This section aims at establishing the indicators of performance in local governments. Please indicate your opinion on the following statements using the Linkert scale. Key: 1= Agree; 2= strongly Agree; 3= not sure; 4= Disagree; 5= strongly disagree.

No	Statements	1	2	3	4	5
1	The local government is compliant with relevant laws and regulations.					
2	The local government effectively manages its finances and budgets.					
3	The local government provides quality services to residents.					
4	The local government is open and transparent about its decisions and actions.					
5	The local government communicates and engages effectively with the community					

**Appendix 11**

**INTERVIEW GUIDE.**

3. How long have you worked or served at Butaleja District Local Government?
4. Does verification of accounting data avoid manipulation of accounts, if yes? Give reason for it.  
.....
5. How does verification of accounting data guards against improper use of assets?
6. Does Value for money audit through verification of data find out the ownership and title of assets?
7. Does examination of records ensure genuineness of the transactions on financial performance of the local government, if yes? Give reasons for that.  
.....
8. How does record vouching help to know relevance of the transaction on financial performance of local governments?
9. How does Value for money audit through record vouching also ensures compliance with the law on financial performance of the local government?
10. Do internal controls enable the local government to carry out its activities in an orderly and efficient manner, if yes? Give reason for your statement.  
.....
11. How do internal controls lay out the various procedures to be followed in conducting the affairs of the organization?
12. Do internal controls assist in ensuring that the management review ensures that all relevant taxes are paid on financial performance of the local government?

**APPENDIX III: RESEARCH ACCEPTANCE LETTER.**

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DCAO: 0781889243  
PACAO: 0774525550



THE REPUBLIC OF UGANDA

BUTALEJA DISTRICT LOCAL GOVERNMENT  
OFFICE OF THE  
CHIEF ADMINISTRATIVE OFFICER  
BUTALEJA DISTRICT  
P.O BOX 1, BUTALEJA.

FACSIMILE:  
E-mail: butaleja\_district@yahoo.com.

IN ANY CORRESPONDENCE ON THIS SUBJECT,  
PLEASE QUOTE REF.NO: CR/164/10

30<sup>th</sup> April 2024

The Academic Registrar  
Uganda Christian University, Mbale University College  
**Kampala**

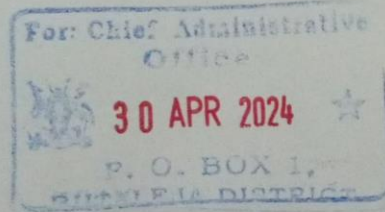
**RE: RESEARCH PLACEMENT – MS. BASIRIKA BAYATI**

I am in receipt of your letter concerning the above referenced subject.

Butaleja District Local Government is one of the consumers of the products from Institutions of higher learning like yours.

In the same breath therefore, we are obliged to offer practical experience to these students who are potential employees of our organization so that the hands of experience they go through orient their attitudes and skills. Please take note that this placement does not have any financial implications attached.

I therefore have no objection to allow **Ms. Basirika Bayati**. She will be placed at Finance Department, under the supervision of the Chief Finance Officer.



P. Mike Yoga

**For: CHIEF ADMINISTRATIVE OFFICER, BUTALEJA**

**Copy to:** Chief Finance Officer, **Butaleja**  
Ms. Basirika Bayati