

**INTERNAL AUDITING AND PERFORMANCE OF LOCAL GOVERNMENTS
IN UGANDA: A CASE STUDY OF MBARARA
DISTRICT LOCAL GOVERNMENT**

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF
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DECLARATION

I Lunkuse sharon declare that this work is entirely mine and solely a result of my own efforts. It has never been submitted in any institution for the academic award

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Signature.....

Date.....17th/04/2019.....

APPROVAL

This is to certify that this research proposal has been under my supervisor and is now ready for submission to College of Economics and Management department of Accounting and Finance.

SUPERVISOR

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Signature


Date.....


DEDICATION

I dedicate this research report to my family, friends and all my lecturers at KIU who have greatly played a good role in making me what I am as far as my education is concerned

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First and foremost I would like to thank my supervisor Mrs. Erina Mudondo for her knowledge, eye for detail, and way of pinpointing issues in a minimal time. I also thank you for the explanations and guidance which got me to the level of understanding required for the matter at hand.

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Finally, I would like to thank my colleagues who guided me through writing this report.

LIST OF ACRONYMS

KIU	Kampala International University
CAO	Chief Administrative Officer
MDLG	Mbarara District Local Government
KBV	Knowledge Based View
IIA	Institute of Internal Auditors
RBV	Resource Based View
IA	Internal Auditing
IV	Independent Variable
DV	Dependent Variable

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ABSTRACT

The general objective of the study was to examine the relationship between internal auditing and financial performance of Local governments in Uganda, a case study of Mbarara District Local Government and the specific objectives were to: find out the role of internal auditing on financial performance of local governments in Uganda, examine the role of internal auditing on non-financial performance of Local governments in Uganda and assess the role of internal auditing on managerial performance of Local governments in Uganda.

The results indicate that there is a significant relationship between internal auditing and financial performance, non financial performance and managerial performance. Therefore, Local governments should carry out internal auditing in order to improve their financial, non financial and managerial performances and the entire performance in general.

The findings of the study also revealed that there is a strong positive correlation of 0.75; this means that internal auditing has a strong positive impact on the overall performance of local governments in Uganda and the regression analysis gave evidence that there is a positive change in the performance of local governments in that a unit change in internal auditing improves the performance of local governments by 85%.

The study recommended that more emphasis should be put on internal auditing as results indicate that it promotes organizational performance, there is need to recruit more human resource personnel in the field of internal auditing to improve the performance of the entity since internal auditing promotes organizational performance and that there is need to emphasize on the budget and planning for departments to control measures and enable proper financial reporting in Local governments.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the study about internal auditing and financial performance of local governments in Uganda a case study of Mbarara district local government, the background of the study, problem statement, purpose, specific objectives, research questions, study scope, significance of the study and the conceptual frame work are all presented in this chapter.

1.1 Background of the study

1.1.1 Historical perspective

Internal auditing began as one person clerical procedure that consisted primarily of performing independent verification of bills before payment (Boynton and Kell, 1996). This was, therefore, an embryo internal auditing. In the early 1900s, the emphasis on auditing shifted from the detection of fraud to the needs of the various users of financial statement (Guy et al, 1996). In other words, internal auditing is the product of modern social and economic development. The significant changes pushed forward by the European Industrial Revolution in the eighteenth century greatly promoted the establishment of many large share-holding companies and monopoly trust groups. With the rapid development of productive technology, expansion of operational scope, and large-sized organizations with many managerial levels, heads of companies could not directly carry out supervision so they needed some full-time representatives to do it for them (Aisiopoulos, 1980).

After the 1940s, internal auditing entered its golden developing period, in which the theory of internal auditing began systematically taking shape and internal auditing organizations also came. The American Institute of Internal auditors, the predecessor of the Institute of Internal Auditors (IIA) was set up in 1941 (Dittenhofer, 2001). From the first authoritative definition of internal control by the American Institute of Public Accountants in 1949 to the definitions which still exist in professional pronouncement (APB,1995), there seems to have been no substantial change of meaning, yet a sea change in the internal control of companies was underway during the 1980s and 1990s. From all the definitions, it is clear that internal auditing is the centre of integrated activities within an organization and is best suited for a new role as an agent of change.

This can be developed in terms of demand for audit committees and the growing importance of management efficiency and performance audits (Cooper, 1996); on the other hand because of the growth of information technology and changes in audit methods (Spira and paape,2003).

1.1.2 Theoretical perspective

The study was guided by the Knowledge-based theory propounded by Grant (2002).

Grant's theory of knowledge-based of the firm considers knowledge as the most strategically significant resource of a firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance. This knowledge was embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees. Originating from the strategic management literature, this perspective builds upon and extends the resource-based view of the firm (RBV) initially promoted by Penrose (1959) and later expanded by others (Wernerfelt 1984, Barney 1991, Conner 1991).

1.1.3 Conceptual perspective

The scope of internal auditing within an organization is broad and may involve topics such as an organization's governance, risk management and management controls over efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting and compliance with laws and regulations (Glass 2005).

Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals and conducting post investigation fraud audits to identify control breakdowns and establish financial loss. Internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to execute their responsibilities better. As a result of their broad scope of involvement, internal auditors

may have a variety of higher educational and professional backgrounds (Aldridge and Colbert, 1994).

Financial performance is considered in terms of measures like profitability (using absolute and relative measures), liquidity (using liquidity ratio like current ratios, acid test ratios, the case with which the entity settles its financial obligations) and accountability (in terms of financial accountability) (ACCA-Managerial Finance paper 8, 1998).

According to Financial Analysis Conceptual Framework, financial performance is the process of measuring the result of a firm's policies and operations in monetary terms. In order to evaluate financial condition and performance of a firm, the financial analyst needs certain tools to be applied on various financial aspects. One of the widely used and powerful tools for measuring financial performance is ratios or index. Ratios can be classified into four broad groups on the basis of items used: liquidity ratio, capital structure/leverage ratio, profitability ratio and activity ratio but these are in private settings (Reid, 2002).

1.1.4 Contextual perspective

Internal auditing is a long-standing function and an effective tool of management in many Organizations. 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 to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. Professionals called internal auditors are employed by organizations to perform the internal auditing activity. (Okezie, 2004).

Internal control system weakness and poor financial performance in Uganda can be seen from the way the government was forced to close banks like International Commercial Bank (ICB).

1.2 Statement of the Problem

In the past, it used to be that internal auditing in the public sector served as a simple administrative procedure comprised mainly of checking accuracy of transactions, pre-payment verification and control, counting assets and reporting on past events to various types of management. But in recent times, a combination of forces has led to a quiet revolution in the profession (Okezie 2004).

Governments are now moving towards higher levels of transparency and hence Public enterprises must demonstrate accountability in the use of public money and efficiency in the delivery of services. Internal auditing provides a number of important services to company management. These include: detecting and preventing fraud, testing internal control and monitoring compliance with company policy and government regulation and these services or functions of internal auditing are intended to spearhead growth and efficiency of the Public enterprises.

Unfortunately, Mbarara district local government has undergone financial mismanagement for the last one year due to massive corruption involved in delivering services to the people despite the fact that this Public enterprise procedure has been subjected to Internal auditing. It has therefore not been able to meet its commitments with most of its suppliers, clients and lack of internal auditing by Chief financial officer at the district. (Financial report, 2017). This study is therefore aimed at establishing the role of internal auditing towards financial performance of Mbarara district local government.

1.3 General Objective

The general objective of the study was to examine the relationship between internal auditing and financial performance of Local governments in Uganda, a case study of Mbarara District Local Government.

1.4 Specific objectives

- (i) To find out the role of internal auditing on financial performance of local governments in Uganda.
- (ii) To examine the role of internal auditing on non-financial performance of Local governments in Uganda.
- (iii) To assess the role of internal auditing on managerial performance of Local governments in Uganda.

1.5 Research Questions

- i. What is the role of internal auditing on financial performance of Local governments in Uganda?
- ii. What is the role of internal auditing on non-financial performance of Local governments in Uganda?
- iii. How does internal auditing affect managerial performance of Local governments in Uganda?

1.6 Scope

1.6.1 Geographical scope

The study was carried out at Mbarara District Local Government as it is a district whose rate of performance especially financially has not been given clear attention since.

1.6.2 Theoretical scope

The study employed the Knowledge-based theory by Grant (2012) which states that the economic change of material-based production to information-based production created a revaluation of the workers.

1.6.3 Content scope

The study focused on internal auditing as an independent variable and financial performance as a dependent variable. The independent variable focused on internal controls, policies and procedures and inventory management while the dependent variable covered profitability, liquidity and others.

1.6.4 Time scope

The study was done for a period of two months from February, 2019 to March, 2019. The researcher utilized the time period to acquire relevant and valid information necessary to complete this study.

1.7 Significance of the study

The idea of this study will enable the researcher to attain a Bachelors Degree of Science in Statistics of Kampala International University.

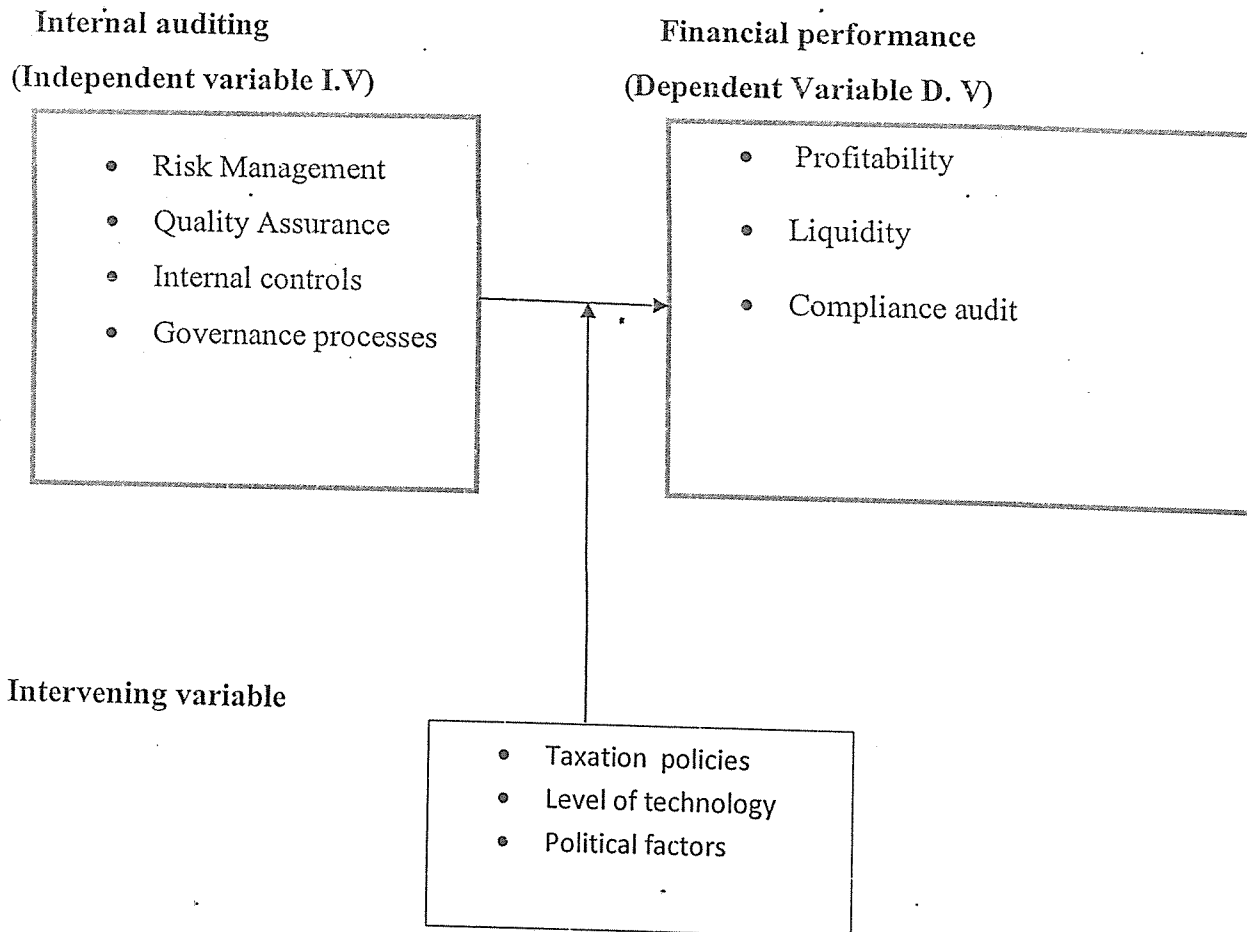
The study will enable the researcher gain more knowledge relating to research methodology.

The research study will add on the existing literature about internal auditing and Financial Performance of Local governments.

Findings from this research project will especially be useful to the following stakeholders: policy makers, planners, managers and implementers. The outcome of this research project will help them find better ways of internal auditing and their impact on company's performance.

1.8 Conceptual frame work Model

Figure 1. 1: Conceptual Frame Work model between internal auditing and financial performance



Source: Adapted from: Amin 2005

The independent variable is internal auditing' activities such as risk management, Quality assurance, internal control and governance processes. Financial performance is the dependent variable viewed in way of financial performance this includes profitability, liquidity, compliance audit while intervening variable is seen in aspect of taxation policies, political factors, and level of technology.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed the theoretical and academic literature regarding internal auditing presented as a summary of the existing past studies in the theoretical perspective, the definition of the concepts, major theories and the critical review of the literature.

2.1 Definition of the key terms

Internal Auditing

According to Unegbu & Obi (2007), Internal auditing measures, analyses and evaluates the efficiency and effectiveness of other controls established by management to ensure smooth administration, control cost minimization, ensure capacity utilization and maximum benefit derivation.

Financial performance

According to Lewin 2000, financial performance is considered in terms of measures like profitability (using absolute and relative measures), liquidity (using ratios current ratio, acid test, the ability of the entity to settle its financial obligations) and accountability (in terms of financial accountability).

Non financial performance

Van Gansberghe (2005), defines non financial performance as aspects that do not involve liquidity but determine the go ahead of any organization like monitoring and evaluation , decision making and service delivery.

2.2 Theoretical Review

Knowledge based theory

The study was guided by the Knowledge-based theory propounded by Grant (2002). The theory states that knowledge is an important resource which local governments can use to boost their performance. Knowledge-based capabilities are considered to be the most strategically important ones to create and sustain competitive advantage (Denilson et al., 2003). Superior talent is recognized to be the main creator of sustained competitive advantage in high performance firms (Hiltrop, 1999). The capacity to learn

faster than competitors could turn out to be the only sustained competitive advantage (Geis, 1988).

This dynamic capability builds up over time a historical or path dependency (Collis, 1991; Winter, 1987), creating causal ambiguity (creating barriers to limitability and making it very difficult for other firms to recreate the unique historical evolution each organization develops) and it established a basis for competitive advantage (Lei et al., 1996).

Grant's theory of knowledge-based theory of the firm considers knowledge as the most strategically significant resource of a firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance. This knowledge was embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees. Originating from the strategic management literature, this perspective builds upon and extends the resource-based view of the firm (RBV) initially promoted by Penrose (1959) and later expanded by others (Wernerfelt 1984, Barney 1991, Conner 1991).

Although the resource-based view of the firm recognizes the important role of knowledge in firms that achieve a competitive advantage, proponents of the knowledge-based view argue that the resource-based perspective does not go far enough. Specifically, the RBV treats knowledge as a generic resource rather than having special characteristics. It therefore does not distinguish between different types of knowledge-based capabilities. Information technologies can play an important role in the knowledge-based view of the firm in that information systems can be used to synthesize, enhance, and expedite large-scale intra- and inter-firm knowledge management (Alavi and Leidner 2001). Whether or not the Knowledge-based theory of the firm actually constitutes that a theory has been the subject of considerable debate in all sectors as it calls for advancement in knowledge in all areas in order to enhance the organizational performance.

According to notable proponent of the Knowledge-Based View of the firm (KBV), Although Alchian and Demsetz (1972) observed that efficient production with heterogeneous resources is a result not of having better resources but in knowing more accurately the relative productive performances of those resources, the emergence of the knowledge-based view (KBV) came much later.

The theory is applicable in a way that through advancing knowledge bases in internal auditing and resource utilization the performance of local governments is likely to increase in categories of financial, managerial and financial performances.

2.3 Empirical Review

2.3.1 The role of internal auditing on financial performance

Internal auditing (IA) serves as an important link in the business and financial reporting processes of corporations and not-for-profit providers (Reynolds2000). Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management (Goodwin-Stewart & Kent 2006).The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism. Unegbu & Obi (2007) defined internal auditing as part of the internal control system put in place by management of an Organization to ensure adherence to stipulated work procedure and as aid to management.

According to Unegbu & Obi (2007) Internal auditing measures, analyses and evaluates the efficiency and effectiveness of other controls established by management to ensure smooth administration, control cost minimization, and ensure capacity utilization and maximum benefit derivation. In the view of Adeniji (2004), internal auditing is part of the internal control system put in place by management of an organization. The Institute of Internal Auditors (IIA, 1999) defined internal auditing as 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 to evaluate and improve the effectiveness of risk management, control and governance processes.

Financial performance is considered in terms of measures like profitability (using absolute and relative measures), liquidity (using ratios current ratio, acid test, the ability

of the entity to settle its financial obligations) and accountability (in terms of financial accountability).

This definition signifies that internal auditing has undergone a paradigm shift from an emphasis on the accountability about the past, to improve future outcomes to help auditors operate more effectively and efficiently (Nagy & Cenker, 2002; Stern, 1994; Goodwin, 2004). Internal auditing is effectively controlled if it meets the intended outcome it is supposed to bring about.

Auditor independence and objectivity are the cornerstones of the profession. The assurance services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance. Prior research on auditor independence and objectivity has been undertaken predominantly in the context of external auditing. However, in more recent years, there has been heightened interest in issues associated with the independence and objectivity of internal auditing function. The motivation for research growth in the area is related to the evolving and expanding role of internal auditing as a key corporate governance mechanism as well as an internal consultancy service. In this regard, internal auditors are in a unique situation as providers of both assurance services within the organization and consultancy services to managers. Not surprisingly, this dual role has generated significant debate as it has the potential to place the internal auditor in a situation of conflict. Furthermore, as employees of the organization, the ability of internal auditors to exercise true objectivity has also been questioned (Paape, 2007)

According to Aldridge and Colbert (1994), it is clear that internal auditing is being implemented in businesses as a tool that provides a unique service to businesses (Rittener and Schwieger, 1994). In this way, we can achieve a systematic approach towards the most effective operation of the organization as a unit (Schleifer and Greenwalt, 1996). In other words, enterprises that implement internal auditing at an early stage have achieved a competitive advantage and internal auditing services are increasingly requested rather than imposed although there remains pockets of resistance (Zhuang, 1997).

More recently, the Hellenic Institute of internal auditors (H.I.I.A, 2004) defines internal auditing as an independent, objective, adequately designed and organized procedure which through the technical and the scientific approaches assess how adequately the system of internal auditing functions. From the above definitions, it is clear that the

internal auditing is considered to be the security belt of the business for avoiding either the involuntary or the intentional release of information concerning any form of useful first hand stock as well as the avoidance of loss of income from misuse or from any errors in operation (Papastathis, 2003).

In Germany, internal auditing exists to add credibility to the implied assertion by an organization's management that its financial statements fairly represent the organization's position and performance to the firm's stakeholders (interested parties). The principal stakeholders of a company are typically its shareholders but other parties such as tax authorities, banks, regulators, suppliers, customers and employees may also have an interest in ensuring that the financial statements are accurate (Glass, 2005). The audit is designed to reduce the possibility that a material misstatement is not detected by audit procedures. In Uganda, this has been due to the establishment of programs such as Service and Revenue Enhancement programs (SEREP), Area performance contract (APCs), Support service contract (SSC), Stretch out programs and funding of vital departments such as the internal auditing function. This has generated revenue for the period of 2005-2016 at an average rate of UGX 3.5 Billion representing an increase of 40% within ten years. However, the internal auditing function remains significantly weak in preventing wastage of government resources (Kampala Stretch out Program, 2009).

According to the investigation attached to the public sector organizations of which Mbarara district local government is inclusive which was set up by president Museveni in October (2009) to scrutinize operations in the public sector performance all country wide, confirmed a total of 289 ghost workers. Despite the internal auditing that has been taking place over the numbers of years periodically. Since the beginning for improvement in financial performance of the organization in relation to the funds collected, there has been mismanagement of funds at Mbarara District Local government.

Effective internal auditing undertakes an independent evaluation of financial and operating information of systems and procedures to provide useful recommendations for improvements as required. The effectiveness of internal auditing greatly contributes to the effectiveness of each audit in particular and the organization at large (Dittenhofer, 2001). Dittenhofer (2001) has also observed that if internal auditing quality is

maintained, it will contribute to the appropriateness of procedures and operations of the auditor and therefore internal auditing contributes to effectiveness of the audit and the organization as a whole.

Internal auditing has to prove that it is of value to the organization and earn a reputation in the organization (Sawyer, 1995). Internal auditing has to evaluate its performance and continually improve its service (Ziegenfus, 2000).

There is general awareness all over the world for the need to pay greater attention to the improvement of public sector management. The reason is obvious; government constitutes the largest single business entity and her pattern of expenditure through its various parastatals, agencies and commissions stimulate lots of economic activities. As a result of these Government huge involvements in economic activities, initiatives are being taken all over the world towards improvement of the standards of accounting and auditing departments in government (Angus and Mohammed, 2011).

2.3.2 Internal auditing and non-financial performance

Whittington & Pany (2001) suggested that internal auditing is performed as part of the monitoring activity of an organization. It involves investigating and appraising internal auditing and efficiency with which the various units of the organization are performing their assigned functions. An internal auditor is normally interested in determining whether a department has a clear understanding of its assignment, adequately staffed, maintains good records, properly safe guarding assets and cooperates harmoniously with other departments. The internal auditor normally reports to the top management.

Gupta (2001) on the other hand asserts that "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. According to Gupta "the scope of internal auditing is determined by management". This may however, impact the internal auditor's objectivity and hampers his independence, it is quite hard to report negatively on someone who determines the scope of your work. Although at a seminar organized by the institute of Certified public Accountants of Uganda(ICPAU),Sebbowa,2009 in his presentation "The role of

internal auditing function in organizations'', states that independence is established by organizational and reporting structure'' and that objectivity is achieved by an appropriate mindset.

According to Bhatia (2003), internal auditing is the review of operations and records sometimes undertaken within the business by especially assigned staff. It's also an independent appraisal function established within an organization to examine and evaluate the effectiveness, efficiency and economy of managements control system (Subramaniam, 2006). Its objective was to provide management with re-assurance that their internal control systems are adequate for the need of the organization and are operating satisfactorily (Reid & Ashelby, 2002). It is a component of the internal control system set-up by management of an enterprise to examine, evaluate and report operations of accounting and other controls. The quality and effectiveness of internal auditing procedures in practice are necessary since internal auditors cover a wide variety of assignments, not all of which will relate to accounting areas in which the external auditor is interested. For example, it's common these day's for internal auditing to undertake the extensive and continuous task of setting management goals and monitoring its performance (Woolf, 2016).

Emasu (2010) notes that ''effectiveness of internal auditing function partly depends on: legal and regulatory framework, placement of the function and its independence, existence of audit committees, resources allocated to the function and professionalism of internal auditing staff''. It is however a bitter reality that internal auditing departments are rarely adequately facilitated. Regarding the size and facilitation of the internal auditing function which is inconsistent with traditional agency theory arguments that predict a negative relationship but more in line with recent studies on earnings management. This finding suggests that increased management ownership may influence the board of directors to support larger Internal Auditing Functions to allow them to closely monitor managers' performance. It is also plausible that management with higher share ownership is motivated to invest in larger Internal auditing Function for better monitoring of earnings and for signaling to the board of directors that despite their high stake in earnings, they are convinced that appropriate use of resources has to be assessed on a regular basis.

Using a US sample, Wallace & Kreutzfeldt (2014) found that companies with internal auditing departments are observed to be significantly larger, more highly regulated, more competitive, more profitable, more liquid and more conservative in their accounting policies, more competent in their management and accounting personnel and subject to better management controls. Care et al, (2000) found that agency variables do not explain the voluntary use of internal auditing by Australian family firms. More recently, a study by Goodwin-Stewart & Kent (2006), using a sample of Australian listed companies, shows that the existence of internal auditing functions is positively associated with firm size and commitment.

According to Earnest and young (2015), the work of the internal auditing should appear to be properly planned, controlled, recorded and reviewed. Example of the due professional care by the internal auditor are the existence of an adequate audit manual, general internal auditing plans, procedures for controlling individual assignments and satisfactory arrangements for reporting and following up.

2.3.3 Internal auditing on managerial performance

According to Aditya Birla Group Corporate Management Audit, Corporate Management Audit is committed towards systems perfection across the group in India and overseas. It has been actively involved in the evolution, implementation and review of internal controls, cost reduction methods.

The audit function regularly shares information and best practices among the units and helps the group to keep pace with the fast changing business scenario, resulting in continuous growth of the group as well as value addition to stakeholders.

Aftab Ahmad Khan(2016) inferred that Management audit is an effective tool for ensuring all round efficiency. This paper explains that management audit as a concept in management literature evolved over a period of seven decades. It was T.G. Rose, an industrial consultant from the United Kingdom who had first introduced the concept of management audit in a paper he presented in 1912 before the Institute of Industrial Management (now merged with the British Institute of Management). The management audit concept however received greater attention in the United States of America.

Jackson Martindell said that an investment consultant and founder President of the American Institute of Management (incorporated in 2018) developed a logical system of the concept of management and employed it for evaluating 52 publicly owned companies from 2008 to 2010. These studies were published under the title, "Investment Value of Management Excellence". Few business terms have had as many meanings in a short period of time as management audit. For this reason, the modern management audit is often confused with its better known (and understood) historical antecedent financial audit. Both of course involve the gathering of information that can aid decision making a process as old as history. As the requirement of an increasingly complex society transformed the King's Court of simple times into today's executive court of economic forecasters, lawyers, accountants and management consultants, to have the demands of contemporary business environment created a need for analysis broader in scope and purpose than the financial auditing.

G.S. Batra Management audit said that management audit and the memorandum of understanding (MOU) system in India, reviews that there is a constant demand from public enterprise managers for increased autonomy in order to ensure better efficiency and effectiveness in Local governments. The system of MOU and Management Audit by articulating the missions, objectives and expected results along with the methods of performance evaluation goes a long way towards improving the performance of Local governments. Hence by adopting these strategies, public sector management in India is shaping up to face turbulent times, Government of Saskatchewan News Release (2007). Results of Independent Forest Management Audit Released that the results of the second independent sustainable forest management audit conducted under Saskatchewan's updated legislation were released highlighting requirements for monitoring and reporting of forest practices in the province.

According to Gurdeep (2018), Emerging Dimensions of Audit Accountability: A Case Study of Public Enterprise Management and Efficiency Audit in India, this paper finds that audit control over Local governments varies from case to case and the CAG should interpret this power according to the need of situation and there should be external efficiency audit for Local governments.

According to Jacob Sunil (2017), Management Audit Presentation Transcript, this paper explores that management audit is an independent review and investigation which is concerned with the identification of those functional and operational areas where management has failed to achieve the required external standards of performance and with evaluation of decision making with the aim of monitoring and improving the efficiency and effectiveness of the organization.

According to K.S. Chaudhar (2007), this study explores that management audit helps management of the organization in its present and future growth and prosperity through pragmatic and constructive appraisal of all activities of the organization. The five standards in the audit are represented by key words: control, direction, equity, feedback, and productivity. Each standard covers a component of the audit process that determines the effectiveness and efficiency of the instructional program. This book is a powerful and practical resource for central office administrators, curriculum directors, and principals to examine the curriculum using the principles espoused in the curriculum management audit process.

According to Dale L. Flesher, (2004), a Management Audit of Small Business Long Term Financial Affairs, the result suggested that the owner or manager of a small business can conduct the audit on sort of a do it yourself basis. Although every department could possibly benefit from such an audit, it is the long term financial management of the organization that might profit the most from a value for money audit. According to (Dale L. Flesher, 2005), an Operational Audit of Working Capital Management, this article explores that intended to end the oversight, an operational audit can lead to better management of working capital in the same way that it can lead to better management of a production area or by a treasurer who merely wants to perform a self audit of his or her own department's efficiency and effectiveness.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents different methods that were adopted in collecting and interpreting data related to the study by discussing choices related to: Research Design, study population, sampling strategies, data collection methods, instruments, data quality control, data analysis and procedure.

3.1 Research Design

The study employed a descriptive correlation and cross sectional survey design. The study adopted a survey research design because data was collected from respondents at a particular time. This survey research design according to Amin (2005) was helpful to the researcher to attain systematic data from a sample. Correlation was necessary to explain relationship between variables. Purposive sampling was used to ensure that the respondents with the right information were selected to participate in this study. Quantitative and qualitative approaches were used because they helped to ensure that data collected was quantitatively analyzed and descriptively interpreted.

3.2 Study population

The study population comprised of 50 participants purposively selected from the management and employees of Mbarara district head quarters in Uganda.

3.3 Sample size

The sample size of the study was determined according to Slovene's formula of sample determination. Under this, a target population of 50 but was zeroed down to a sample size of 45 respondents respectively as stated by Slovene's (1978). The Slovenes formula below was used to determine the minimum sample size.

$$n = \frac{N}{1 + Ne^2} = \frac{50}{1 + 50(0.05)^2} = 45 \text{ Respondents.}$$

$$n = 45$$

With n =number of sample

N =total population

e =level of significance 0.05

Using the formula above, a sample of 45 respondents was obtained

Table 3. 1: Determining sample size from a given population

Respondents	Population size	Sample size	Technique
Staff members	40	37	Simple random
Auditors	10	08	Purposive Sampling
Total	50	45	

3.4 Sampling Techniques and Procedures

The participants in the study were selected using purposive sampling method and simple random sampling. Purposive sampling was the best because it involves selecting participants that possess the required characteristics and qualities as defined by the researcher (Gay, 2006).

3.5 Data Collection Sources

The researcher used both primary and secondary data sources.

3.5.1 Primary Data

Primary data is a source of data generated from respondents using questionnaires and interview guides to get opinions, views and suggestions of the respondents.

The researcher used a questionnaire and an interview guide to collect data.

3.5.2 Secondary Data

Secondary data sources are a kind of information that the research study used which was already published in regard to the study topic. It included all written information from text books, internet, newspapers, reports, brochures and news prints, audio and visual information that was readily available for the study.

3.6 Data Collection Methods

The researcher used questionnaires and interviews as the major data collection methods used to get first hand information.

3.7 Research Collection Instruments

3.7.1 Questionnaire

This was the main data collection tool. It consisted of questions that were set in relation to the research objectives so as to get the real answers to the set research questions. These were administered to the Management and staff of Mbarara District Local Government. The questionnaires were used because they are easy and convenient to use in collection of data from busy respondents like those at the district.

3.7.2 Interviews

For the purposes of obtaining deep-rooted and concise data, the researcher used interviews. These were conducted in a period of 30 minutes per selected respondent. The researcher based on an interview guide to determine the degree of accuracy of the responses from the questionnaires.

3.8 Ethical consideration

The researcher was given an introductory letter from the Department of Economics and Management of Kampala international University and which she presented to the management of Mbarara district local government. For approval by the authorities at the sector; the researcher was given an acceptance letter then she started administering the research tools in their organization. The researcher first conducted interviews with the staff in the Administration, Finance and planning department. She distributed questionnaires to respondents. After 2 days, she collected filled questionnaires.

3.9 Validity and Reliability

3.9.1 Validity

Validity is the ability of the research instrument to measure what it aims or is supposed to measure. According to Amin (2005), the research instrument must be appropriate for the study objectives to be achieved. The researcher consulted and discussed validity of the instruments with colleagues and supervisor to limit errors as much as possible.

Out of the total number of items of the questionnaire, the questions that were considered were very relevant.

3.9.2 Reliability

Reliability of an instrument is the dependability or the trustworthiness of an instrument. According to Amin (2005), it is the degree to which the instrument consistently measures what it is supposed to measure. This method is picked on a single pre-test group and shows the degree to which the items in the questionnaire are inter-correlated. That is, a respondent who will have completed the questionnaire will again be politely asked to complete another fresh questionnaire (retest) after two weeks to prove the answers earlier filled for consistence or how close they will relate (Amin (2005). Internal consistence of the items in the questionnaire was established using Cornbach's formulae to compute the alpha co-efficiency of reliability. To get the reliability, the data was entered in the computer and analyzed using the statistical package for social scientists (SPSS), which was useful for providing a Cronbach Co-efficient Alpha test for testing reliability.

3.1.0 Data Analysis

The analysis was made by using SPSS, 16.0 at three levels. This aimed at describing demographic characteristics of respondents. The relationship shall be determined using Pearson correlation analysis using the formula below.

$$r_{xy} = \frac{n \sum x_i y_i - \sum x_i \sum y_i}{\sqrt{(n \sum x_i^2 - (\sum x_i)^2)} \sqrt{n \sum y_i^2 - (\sum y_i)^2}}$$

Where; r_{xy} is the Pearson correlation coefficient of x (independent) and y (dependent) variable,

The significance of the model was determined by using the Analysis of Variance (ANOVA) table basing from the F- test below.

$$F = \frac{(R^2_{xy}/k-1)}{(1-R^2_{xy})/(n-k)}$$

Where;

K is the number of groups in the study

R^2_{xy} is the coefficient of determination

n is the number of observations

Finally, the net impact of the variables was established using a simple linear regression analysis controlling for the other variables in the study. It was further used to examine the strength of relationship for the overall regression model.

$$y = \alpha + bX_1 + bX_2 + \dots + bX_m$$

Y is the dependent variable (performance of local government), $x_1 \dots x_m$, are the other themes used in the Study (independent variables), α is the constant, b is the coefficient of the i^{th} variable and m is the number of independent variables.

The degree to which the independent variables explain the dependent variable was determined using the coefficient of determination (R^2).

$$(R\text{-square}), R^2_{xy} = 1 - \left(\frac{\sum e_i^2}{\sum (Y_i - \hat{Y})^2} \right)$$

Where e_i is the error in the i^{th} observation, ($e_i = Y_i - \hat{Y}$), Y_i is the i^{th} observation of the true value, \hat{Y} is the estimated value of Y and R^2_{xy} is the coefficient of determination.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

4.0 Introduction

This Chapter presents data analysis, tables and figures that were presented and interpretation made in accordance with the research objectives of the study. The chapter was divided into sub-chapters namely: Demographic characteristics of respondents and findings in relationship to the objectives of the study.

4.1 Demographic characteristics of respondents

The respondents demographic characteristics include; Age, Gender, Level of education, Level of experience.

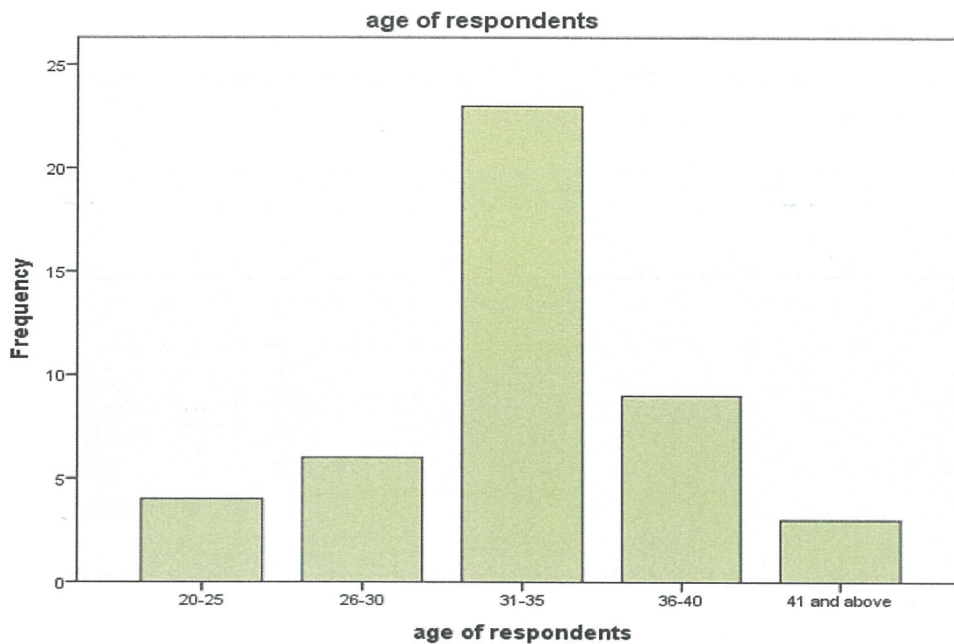
4.1.1 Age of the respondents

The distribution of the respondents by age was presented in the study as shown in table 2 and figure 2 below.

Table 4. 1: Age of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
20-25	4	8.9	8.9	8.9
26-30	6	13.3	13.3	22.2
31-35	23	51.1	51.1	73.3
36-40	9	20.0	20.0	93.3
41 and above	3	6.7	6.7	100.0
Total	45	100.0	100.0	

Figure 4. 1: Bar graph showing age of the respondents



From Table 4.1 and figure 4.1 above, the respondents were required to indicate their ages and the study revealed that the largest number of respondents were in the age group of 31-35years (23)51%, these were followed by those in the range of 36-40years (9)20% who were closely followed by those in the range of 26-30 years (6)13%, those who were in the range of 20-25 years were(4) 09% and the smallest number was those who were in the range of 40 years had (3)07% of respondents. This implies that most of the respondents were the youth in the age range of 30-35 years.

4.1.2 Gender of the Respondent

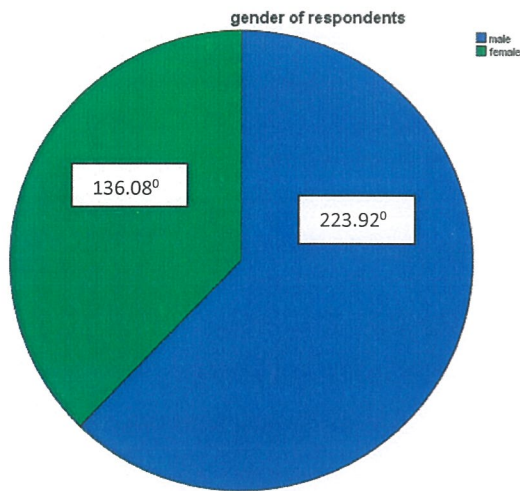
The study captured gender of the respondents in order to establish the most dominant working group of the employees with MDLG. The respondents were asked to state their sex and the distributions shown in table 4.2 and figure 4.2 below.

Table 4. 2: Gender of the respondents

	Frequency	degrees	Valid degrees	Cumulative degrees
Male	28	223.92	223.92	223.93
Female	17	136.08	136.08	360
Total	45	360	360	

Source: Primary data, 2019

Figure 4. 2: Pie chart showing gender of the respondents



According to the results for gender of the respondents in table 4.2 and figure 4.2 above, the total numbers of the respondents was 45 that the researcher targeted. The majority of the respondents were males (28) with 223.92 degrees while the female were (17) with 136.08 degrees of the entire sample.

This therefore implies that the most dominant working group of employees with MDLG was males. The imbalance in the organization is attributed to various factors existing in employment of Uganda.

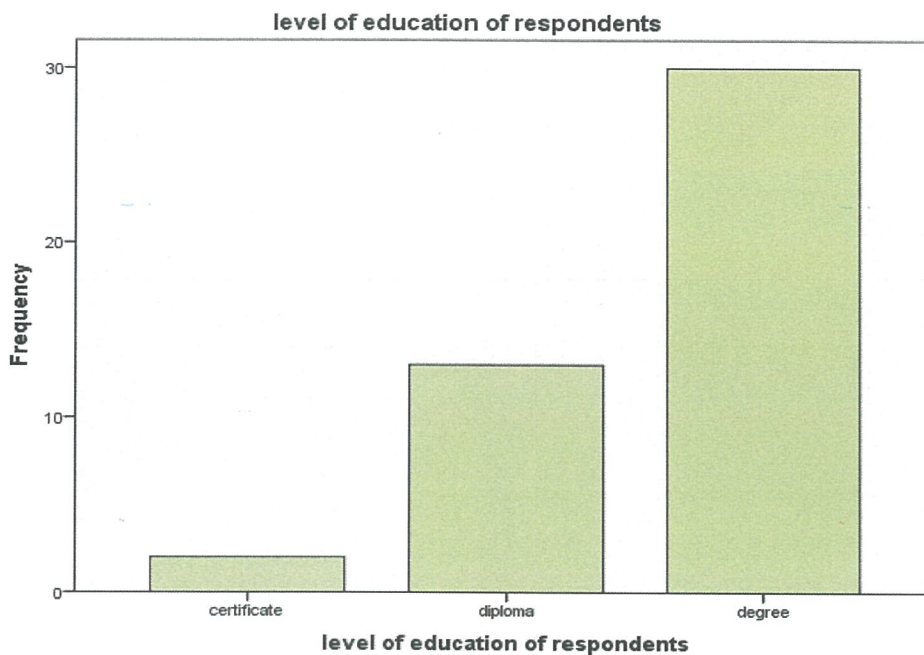
4.1.3 Level of Education of the respondents

The researcher asked the respondents to state their level of education to find out whether the respondents could be able to interpret the questionnaires given to them by the researcher. The findings indicated some of the respondents in the targeted group have relevant knowledge to read, interpret and answer the questionnaires given to them by the researcher as presented in table 4.3 and figure 4.3 below.

Table 4. 3: level of education of the respondents.

	Frequency	Percent	Valid Percent	Cumulative Percent
Certificate	2	4.4	4.4	4.4
Diploma	13	28.9	28.9	33.3
Degree	30	66.7	66.7	100.0
Total	45	100.0	100.0	

Figure 4. 3: bar graph showing level of education of the respondents



Source: Primary data, 2019

The study highlighted that the majority of the respondents were found to have attained degree level of education, with (30)67%, Diploma level of education were (13)29% and Certificate level of education were only (2)4% of the respondents. This implied that the highest percentage was picked from higher level of education because they were equipped with the information concerning internal auditing function on performance of Local governments in Uganda and they were able to interpret and respond accurately to the questionnaire given to them by the researcher.

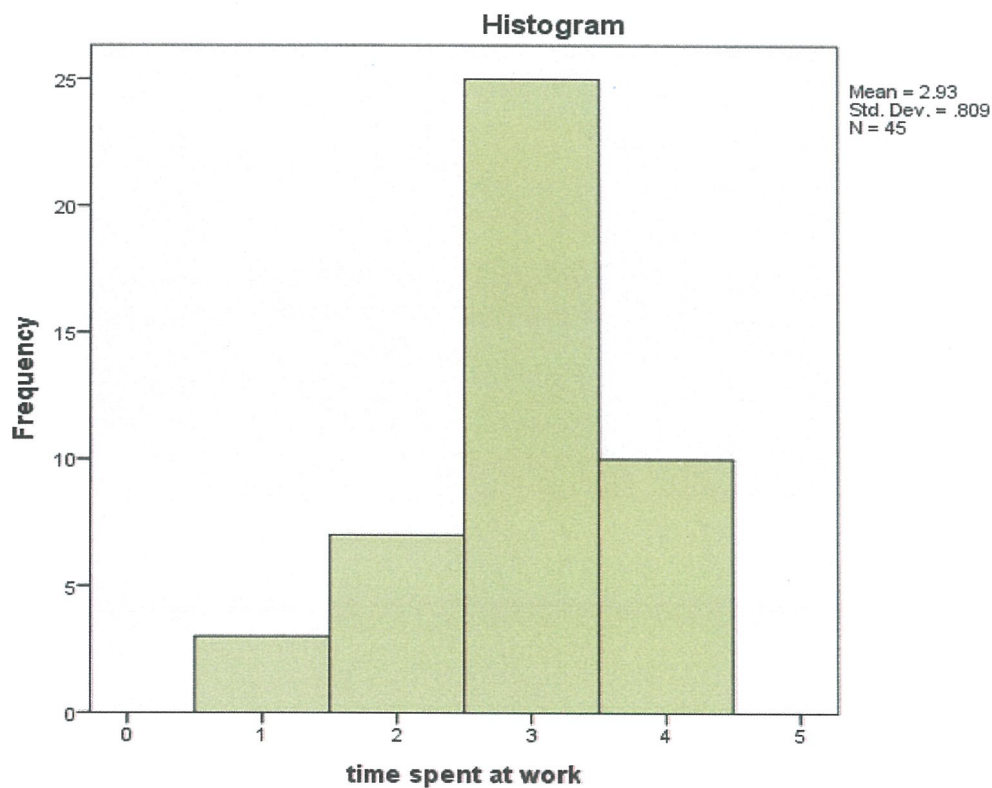
4.1.4 Level of Experience

The researcher asked the respondents the period they had spent on their jobs to find out their experience and knowledge about effect of internal auditing on performance and the findings showed a high level of experience on the jobs by the respondents as captured in table 4.4 and figure 4.4 below

Table 4. 4: Time spent on the current job by the respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 2years	3	6.7	6.7	6.7
2-3 years	7	15.6	15.6	22.2
3-4 years	25	55.6	55.6	77.8
4 years and above	10	22.2	22.2	100.0
Total	45	100.0	100.0	

Figure 4. 4: Time spent on the current job by the respondent



1. Less than 2years 2. 2-3 years 3. 3-4 years 4. 4 years and above

Source: Primary data, 2019

The findings in table 4.4 and figure 4.4 above indicated that out of the 45 respondents who answered the questionnaires, majority had spent 3-4 years on their current job (25)56%, they were followed by those who had spent 4 years and above on their current job (10)22%, those who had spent 2-3 years were (7)16% and the least number of

respondents who had spent less than 2 years on their job were only (3)7%. This implies that most of the respondents had relevant experience and knowledge about effect of internal auditing on performance of MDLG as they had spent most of their time working with the organization.

4.2 The roles of internal audit on financial performance at MDLG.

The first objective of the study was to find out the roles of internal auditing on financial performance at MDLG. The findings on this objective were collected based on the required aspects of the study as presented below.

Table 4. 5: Response on the roles of internal auditing on financial performance.

Roles of internal audit	Strongly Agree (%)	Agree (%)	Not Sure (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
Demonstrates accountability in use of public money	50	20	15	5	10	100
Improves organization performance	52	13	10	10	5	100
Gains competitive advantage	40	15	7.5	20	7.5	100
Better service delivered to citizens	37	18	15	10	20	100
Reduces risk of losing funds thus increase profits.	75	10	5	5	5	100

Source: primary Data (2019)

Results in Table (4.5) present findings on the responses about the role of internal auditing on financial performance of MDLG; 50% of the respondents strongly agreed, 20% agreed 15% were not sure, 5% disagreed and 10% strongly disagreed the statement that internal auditing demonstrates accountability in use of public money.

Improves organization performance had 52% of the respondents who strongly agreed, 13% agreed, 10% were not sure 10% disagreed and 5% strongly disagreed.

Gains competitive advantage had 40% of the respondents who strongly agreed, 15% agreed, 7.5% disagreed 20% were not sure and 7.5% strongly disagreed.

35% of the respondents who strongly agreed 12.5% agreed, 15% were no sure 10% disagreed and 25% strongly disagreed with the statement that internal auditing promotes better services delivered to citizens.

Reduces risk of losing funds thus increase profit had 75% of the respondents who strongly agreed, 10% agreed, 5% were not sure, 5%disagreed and 5% strongly disagreed.

Generally, the findings on the roles of internal auditing on financial performance were:
It reduces risks of losing funds thus increase profits was most identified by respondents indicated by 85% who agreed with it followed by it demonstrates accountability in use of public money with 70% the respondents who supported it, improves organization performance with 65%, then gains competitive advantages and better service delivered to citizens both had 55% respondents who identified it. This implies that internal auditing has a role on financial performance of local governments in Uganda.

4.3 Role of internal auditing and non-financial performance at MDLG

The second objective of the study was to examine the role of internal auditing on non-financial performance at MDLG.

Table 4. 6: Showing response on the roles of internal audit on non-financial performance

Roles of internal audit on non-financial performance	Strongly Agree (%)	Agree (%)	Not Sure (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
Ensures effectiveness and extent to which staff of internal Audit meets its obligation.	40	30	5	25	5	100
Good public image about company	50	25	5	12.5	7.5	100
Helps managers in public sector to meet their responsibilities within environment	35	45	5	10	5	100
Better strategies to improve management.	50	30	5	5	10	100
Helps cut costs in operation	35	30	12.5	2.5	25	100

Source: Primary Data (2019)

Results in table (4.6) present the responses of respondents on results on the role of internal auditing on non-financial performance at MDLG. Ensures effectiveness and extent to which staff of internal audit meets its obligation involved 40% of the respondents who strongly agreed, 30% agreed, 5% the respondents were not sure and strongly disagreed, and 25% respondents disagreed.

50% of the respondents strongly agreed with Good public image about company, 25% agreed, 5% were not sure, 7.5% of the respondents strongly disagreed and 2.5% disagreed.

Helps managers in public sector to meet their responsibilities within environment had 35% of the respondents who strongly agreed, 45% agreed, 10% of the respondents disagreed, 5% of the respondents were not sure and 5% strongly disagreed.

50% of the respondents strongly agreed with Better strategies to improve management, 30% agreed, 5% disagreed and 5% of the respondents were not sure and 10% of respondents strongly disagreed.

Helps cut costs in operation had 35% respondents who strongly agreed, 30% agreed, 12.5% were not sure, 2.5 respondents disagreed and 25% strongly disagreed.

To sum up the role of internal auditing on non- financial performance; statements of better strategies to improve management and it helps managers in public sector to meet their responsibilities within environment where highly supported both with 80%, followed by good public image with 75%, then ensures effectiveness and extent to which staff of internal auditing meets its obligation with 70% lastly helps cut costs in operation with 65%.

4.4 Role of internal audit on managerial performance MDLG

The third objective of the study was to assess the role of internal auditing on managerial performance of MDLG

Table 4. 7: showing the response on role of internal audit on managerial performance.

Role of internal audit on managerial performance	Strongly Agree (%)	Agree (%)	Not Sure (%)	Disagree (%)	Strongly Disagree (%)	Total (%)
Improvement in the process of stakeholder engagement	55	25	7.5	0	12.5	100
Conformance with reporting requirement	50	27	7.5	2.5	12.5	100
Help in implementing quality assurance	40	30	10	15	25	100
Identifies those functional and operational areas where management has failed to achieve results.	37	35	12.5	10	0	100
Helps management of the organization in its present and future growth.	50	27	13	10	0	100
Provide advisory services to provide assurance to the CAO about operation.	25	45	5	10	15	100

Source: Primary Data, 2019

The findings in table 4.7 about the role of internal auditing on managerial performance at MDLG show that Improvement in the process of stakeholder engagement had 55% of the respondents who strongly agreed, 25% agreed, 7.5% were not sure, and none of the respondents disagreed while 12.5% strongly disagreed.

50 % of the respondents strongly agreed with Conformance with reporting requirement, 27.5% agreed, 7.5% were not sure, 12.5% strongly disagreed and 2.5% of the respondents disagreed.

Help in implementing quality assurance had 40% of the respondents who strongly disagreed, 32.5% agreed 10% were not sure, 15% of the respondents disagreed and 2.5% of the respondents strongly disagreed.

Identifies those functional and operational areas where management has failed to achieve results had 37.5% of the respondents who strongly agreed, 35% agreed, 12.5% were not sure, 15% of the respondents disagreed and none strongly disagreed.

50% of the respondents strongly agreed, 27.5% Agreed, 12.5% were not sure, 10% disagreed and none of the respondents strongly disagreed with help management of the organization in its present and future growth.

Provide advisory services to provide assurance to the CAO about operation had 25% of the respondents who strongly agreed, 45% agreed 5% were not sure, 10% disagreed and 15% strongly disagree.

In conclusion, the researcher found out that internal auditing has roles on managerial performance of Local governments in Uganda using a case study of MDLG as the following were identified on the statements in the questionnaire; improvement in the process of stakeholder engagement had 80% of respondents who agreed with it, followed by conformance with reporting requirement had 77% respondents who identified it, then helps in implementing quality assurance and provide advisory services to provide assurance to the CAO about operation had 70% of the respondents who accepted both statements, 72% of respondents agreed with the statement that it helps in identifying functional and operational area where management has failed to achieve results intended.

4.4.1 Determining the Relationship between internal Auditing and performance of local governments.

Table 4. 8: ANOVA table showing whether there is a relationship between internal auditing and the performance of local governments in Uganda.

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	50.087	1	50.087	3.733	.004
Residual	576.913	43	13.417		
Total	627.000	44			

a. Dependent Variable: performance of local Governments

b. Predictors: (Constant), internal auditing

The criteria is that we accept H_0 that there is no significant relationship between internal auditing and performance of local governments in Uganda if the p value is greater than 0.05. Since the P value is equal to 0.04 less than 0.05, we reject H_0 and accept H_a that there is a significant relationship between internal auditing and performance of local governments in Uganda.

Table 4. 9: correlation analysis.

Correlation		X	Y
Internal auditing	Pearson	1	0.75**
	Correlation		
	Sig. (2-tailed)		.004
Performance of MDLG	N	45	45
	Pearson	0.75**	1
	Correlation		
	Sig (2-tailed)	.004	
	N	45	45

**, Correlation is significant at the 0.05

There is a strong positive correlation of 0.75; this means that internal auditing has a strong positive impact on the overall performance of local governments in Uganda.

4.4.2 Regression analysis.

Table 4. 10: Regression analysis.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	50.23	2.018		10.081	.000
Internal Auditing	0.85	0.048	0.352	2.917	.004

a. Dependent Variable: Performance of Local governments.

Performance = 50.23 + 0.85 Internal Auditing

Interpretations: 50.23 means that without the impact of internal auditing, there is a positive change in the performance of local governments of 50.23 and 0.85 means that a unit change in internal auditing improves the performance of local government by 85%.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter dealt with the discussion of the findings, conclusion and presents recommendations of the study. Conclusions were made on the effects of internal auditing on financial performance of Local governments using a case study of MDLG.

5.1 Discussion of the findings

5.1.1. Internal auditing and financial performance of Local governments in Uganda

Findings on the role of internal auditing on financial performance of Local governments in Uganda showed that 85% of the respondents accepted that it reduces risk of losing funds thus increase on profit, 70% agreed that it demonstrates accountability in use of public money, 65% accepted that it improves organization performance followed by, 55% of the respondents agreed that it leads to better services delivery to citizens and it gains competitive advantage.

Therefore, internal auditing has a positive impact on financial performance of Local governments in Uganda.

5.1.2 Internal auditing and non-financial performance of Local governments in Uganda

As regards to the role of internal auditing on non-financial performance of Local governments in Uganda a case of MDLG, results showed that internal auditing helps the staff members to meet their responsibilities ,form better strategies to improve management as respondents accepted by 80% on both statements, followed by good public image about company with 75%; it was also accepted that it ensures effectiveness and extent to which staff of internal audit meets its obligation with 70% and that it helps cut costs in operation with 65% .

Therefore, in evaluating the non financial performance of Local governments in Uganda, internal auditing should be considered significant.

5.1.3. Internal auditing and managerial performance of Local governments in Uganda.

The findings on this objective are as follows: improvement in the process of stakeholder engagement had 80% of respondents who agreed with it, followed by conformance with reporting requirement with 77% of the respondents who identified it, then helps in implementing quality assurance and provide advisory services to provide assurance to the CAO about operation had 70% of the respondents who accepted both statements, 72% of respondents agreed with the statement that it helps in identifying functional and operational area where management has failed to achieve results intended.

5.2 Conclusion

The study assessed the role of internal auditing on performance of Local governments in Uganda a case study of Lwengo District Local Government. It answered three study objectives that included: to find out the role of internal auditing on financial performance, to examine the role of internal auditing on non-financial performance at MDLG and the role of internal auditing on managerial performance at MDLG.

5.2.1 Internal auditing and financial performance of Local governments in Uganda

All the statements used to measure this statement gave evidence that internal auditing has a positive impact on financial performance of Local governments in Uganda and highly accepted statement being "it reduces the risk of losses thus improves profits which was accepted with a percentage response of 85.

5.2.2 Internal auditing and non-financial performance of Local governments in Uganda

In evaluating the non-financial performance of Local governments in Uganda, internal auditing should be considered significant as all the statements used to measure the objective of impact of internal auditing on the non financial performance of local governments indicated that it significantly improves the non financial performance of local governments.

5.2.3 Internal auditing and managerial performance of Local governments in Uganda

The findings of the study indicated that internal auditing enhances the managerial performance of local governments as all the statements that were used to measure this objective gave positive responses only.

5.2.4 Relationship between Internal auditing and performance of local governments

The findings gave evidence that there is a strong positive linear relationship between Internal auditing and performance of local governments evidenced by the correlation coefficient of 0.75. The ANOVA table gave evidence the model is significant meaning that internal auditing has a positive impact on the performance of local governments. The regression analysis also gave evidence that a unit change in internal auditing improves the performance of local government by 85%.

5.3 Policy Recommendations

More emphasis should be put on internal auditing as results indicate that it promotes organizational performance.

There is need to recruit more human resource personnel in the field of internal auditing to improve the performance of the entity since internal auditing promotes organizational performance.

There is need to emphasize on the budget and planning for departments to control measures and enable proper financial reporting in Local governments.

5.4 Areas for Further Research

Internal Auditing and performance of the private sector in Uganda.

Factors that affect internal Auditing in government institutions of Uganda.

External Auditing and performance of local governments in Uganda.

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APPENDIX I: QUESTIONNAIRE

I am Lunkuse Sharon, a student at Kampala International University. As a requirement to complete a course leading to the award of a Bachelor's Degree of Business Administration, I am carrying out a study on internal auditing and performance of local governments in Uganda a case study of Mbarara District Local Government. I am pleased to select you as one of my respondents and any information you provide will be kept confidential and for academic purposes only hence your assistance will be deeply appreciated.

Please place a tick (✓) in the space that most accurately reflects your view.

SECTION A: DEMOGRAPHIC PROFILE

1. Gender

_____ Male
_____ Female

2. Age

_____ 20-25
_____ 26-35
_____ 36-45
_____ 46-55
_____ Above 55

3. Level of Education

_____ Primary School
_____ Secondary School
_____ Diploma
_____ Bachelor

4. Number of Years in the Company

_____ 1-2 years
_____ 3-4 years
_____ 5years and above

SECTION B:

Direction: Under the following sections, please tick according to your level of agreement.

1. Strongly Agree 2. Agree 3. Not sure 4. Disagree 5. Strongly Disagree

Please evaluate the statement by ticking in the box with the number that best suits you.

1. What are the roles of internal auditing on financial performance of Local government in Uganda?

Scale	1	2	3	4	5
Demonstrates accountability in use of public money					
Improves organization performance					
Gains competitive advantage					
Help cut costs in operations					
Better service delivered to citizens					
Reduces risk of losing funds thus profit increases					

SECTION C:

Direction: Under the following sections, please tick according to your level of agreement.

1. Strongly Agree 2. Agree 3. Not sure 4. Disagree 5. Strongly Disagree

Please evaluate the statement by ticking in the box with the number that best suits you.

2. Role of internal auditing and non-financial performance in Uganda case study of Mbarara DLG.

Roles of internal auditing on non-financial performance	1	2	3	4	5
Ensures effectiveness and extent to which staff of internal auditing meets its obligation					
Good public image about company					
Helps managers in public sector to meet their responsibilities within environment					
Better strategies to improve management					
Any other please specify here below					

SECTION D:

Direction: Under the following sections, please tick according to your level of agreement.

1. Strongly Agree 2. Agree 3. Not sure 4. Disagree 5. Strongly Disagree

Please evaluate the statement by ticking in the box with the number that best suits you.

Role of internal auditing on managerial performance of Local governments in Uganda a case of Mbarara DLG?

Scale	1	2	3	4	5
Improvement in the process of stakeholder engagement					
Conformance with reporting requirement					
Helps in implementing quality assurance					
Identifies those functional and operational areas where management has failed to achieve the required results					
Helps management of the organization in its present and future growth.					
Provide advisory services to provide assurance to the C.E.O about operation					

APPENDIX II: INTERVIEW GUIDE

Questions

1. What are the roles of internal auditing on financial performance at Mbarara DLG?
2. Is there a relationship between internal auditing and non-financial performance at Mbarara DLG?
3. How does internal auditing affect managerial performance at Mbarara DLG?
4. Is there a relationship between internal auditing and the general performance of local governments in Uganda?

**COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE**

MARCH, 22nd/2019

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR LUNKUSE SHARON 1162-05014-05158

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you avail her with all the necessary assistance regarding her research.

TOPIC: - INTERNAL AUDITING AND PERFORMANCE OF LOCAL GOVERNMENTS IN UGANDA

CASE STUDY: - MBARARA DISTRICT LOCAL GOVERNMENT

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

DR. JOSEPH B.K. KIRABO
HOD – ACCOUNTING AND FINANCE
0772323344