

**KAMPALA INTERNATIONAL UNIVERSITY**

**A STUDY ON THE EFFECTIVENESS OF FINANCIAL  
ACCOUNTABILITY IN LOCAL GOVERNMENT**

**A CASE STUDY OF MAKINDYE LOCAL GOVERNMENT  
(SUB-COUNTY UNIT)**

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS  
AND MANAGEMENT IN PARTIAL FULFILLMENT OF  
THE AWARD OF BACHELOR DEGREE  
OF BUSINESS ADMINISTRATION OF  
KAMPALA INTERNATIONAL  
UNIVERSITY**

**DECEMBER 2008**

## DECLARATION

I, Nancy A. Majiwa herein declare that this is my original work and it has never been produced by anyone in any other university.

Signature of student:



Name of the student:

NANCY A. MAJIWA

## STATEMENT OF APPROVAL

This project is submitted to the school of Business and Management after being supervised and approved by

Name of the supervisor:

MUSANA MICHAEL

Supervisor Signature:

  
The stamp is circular and green, containing the text "ALLIANCE" at the top, "SCHOOL OF BUSINESS AND MANAGEMENT" in the middle, and "STUDIES" at the bottom. The signature "Musana" is written in blue ink over the stamp.

Date:

05/12/08

## DEDICATION

This research project is dedicated to my guardians Mr. Collins Majiwa and Moselyne Majiwa, my late parents, my family, friends, classmates whose efforts have greatly contributed to the production of this research.

## ACKNOWLEDGEMENTS

I wish to acknowledge the indispensable and outstanding assistance given to me by all those whose efforts and assistance led to the success of this research.

Special thanks go to Mr. Michael Musana, my supervisor whose criticism, patience, guidance and constructive comments led to the successful accomplishment of this research. He is also the Dean of the school of business and management.

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## ABSTRACT

The report has been written as a partial fulfillment of the requirement for the award of the degree of Bachelor of Business Administration in Kampala international university.

As a pre-requisite for the award of the Bachelor of Business Administration Degree, one has to present a written and acceptable piece of research report. In compliance with the regulation, the author has carried out a piece research a study of effectiveness of financial accountability in local government in Makindye Sub County.

The type of data used was mainly primary data collected from the area of study though secondary data from Makindye sub- county headquarters and respective sub- county financial administration was also used.

This report is divided into five chapters as below:

Chapter one presents the general introduction with high lightened on the historical background of the study, need for improving accountability in the local government, statement of the problem, objectives of the study.

Chapter two covers the literature review, which comprises of among others the review of the provisions in the various statutory instruments for effective accountability.

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Chapter two covers the literature review, which comprises of among others the review of the provisions in the various statutory instruments

Chapter three deals with the methodology used, which includes the field exercise, data sample size and the limitations of the study.

Chapter four provides the main findings about improving accountability, which are presented in such a way so as to achieve the stated objectives. It also answers the research questions.

Chapter five contains the conclusions and the recommendations put forward basing on the findings of the study.

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# CHAPTER ONE

## 1.1. Introduction

Until recently in many parts of Africa, and Latin America, highly centralized states were the norm, a condition that was prepared to be important after struggles for independence and during period of domestic and regional conflicts. As a result, the local government became weak partner in the governing relationship within the developing worlds, lacking the political, economical and financial power to act. There are political, economical and historical factors that explain this orientation. For example, economically, centralization took care of equity concerns, would mobilize investment for industrialization and would thus ensure macro economics stability and development

However, recently there has been a profound shift towards the local government. There is now a change in the field of governance as many countries in the developing world are undertaking expensive state reform, including decentralization of state structures and functions, government and civil services re-organization .and transitional steps towards democratization. High centralization did not lead to the desired economic benefits, countries that centralized had an increasing public debt overhang, the poverty levels were rising while the gap between the rich and the poor were widening.

Furthermore, the shift towards decentralization is a result of the desire to achieve efficiency. Decentralization is believed to lead to efficiency with which demands for local decision making expand the scope of consumer choice between different public goods. It is argued that residential local choice contributes to the realization of individual values and collective welfare decentralization is associated with reduction in costs, an improvement in output and more effectively utilizes human resources.

As such, a number of initiatives have been undertaken to reform public structure and management system with a view of improving efficiency. At a general level, financial decentralization entails power to raise local revenue, power of expenditure; power of management of intergovernmental transfers and power of borrowing. This raises the question.

Is efficiency realized through financial decentralization or better through centralization? This study will attempt to answer this question in the context of the local government of Uganda.

## **1.2. Background to the study**

Since 1992, the government has been committed to the policy of democratic decentralization. The local government including districts, sub counties, town councils and municipalities has been left to control their financial resources that are the local government was given discretionary power to formulate, approve and execute their budgets and development plans. This has to be done in accordance with the national priority programmed areas of preferential budget outlays and local government financial and accounting regulation of 1998.

It is provided by the law that in case the local government council budget significantly detracts from priority programmed areas, the finance commission informs the council and the president through the minister for appropriate action.

The local government budget refers to all the revenue to be collected or received by the local government and to be appropriated for each year. This has to be in time with the approved three-year development plan of the local government (local government act)

Furthermore urban local governments have autonomy over their financial and planning matters in relation to the district council but their plans are incorporated in the district plan. Local government have powers to levy, charge and collect fees and taxes including rates, rents, royalties, stamp duties, personal graduated tax and registration and licensing fees and taxes that are specified.

The local government council and administrative units are required to keep proper books of accounts and other records in relation to balancing its accounts for that year and produce statements of final accounts within four months from the end of each financial year. The auditor-general audits the accounts of every local government council and administrative unit or an auditor appointed by him.

### **1.3. Statement of the problem**

There has been an ongoing reform of the governmental structures with a view of improving accountability and taking services near to the people. Despite the efforts to improve the management of public finance in the local government of Uganda, financial accountability in Makindye is still poor. The poor financial accountability may be caused

by the weakness within the legal procedures and processes. It may also be as a result of social, political and economic factors existing in the local governments of Uganda in general and in Makindye in particular.

The poor financial accountability has resulted into public officials mismanaging public funds. This has also implied poor service delivery system since the requisite infrastructure cannot be put in place. It has also led to increased corruption and thus deterioration in the socio-economic well being of the citizens. Therefore the place of development has remained below expectations in the sub-county. This study will therefore attempt to investigate the causes of poor financial accountability with the intentions of finding solutions to address the problem in the sub-county.

#### **1.4. Purpose of the study**

Assessing the effectiveness of financial accountability in the local government investigated if the sub county authorities properly use all the resources generated, this will lead to effective construction of infrastructures for the improvement of social welfare of the sub county community.

Local authorities use public funds to develop a number of projects such as construction of roads, schools, medical service provision, and payment of sub county administration employees and other basic essentials for development. With decentralization finance is of vital significance in the development of the sub county. This is so because all the village and parish service requests as lobbied for the village council and parish committees respectively will be fulfilled only when the funds available at the sub county are properly handled.



The revenue is mishandled or not collected with efficiency for which case leading to low revenue, this may disrupt planning by those who make rational decisions on costs and benefits. Councilors should be a ware of such dangers and should not delay attaching tax rates for all taxable developments in the sub county. Therefore proper management of finances at the sub county is very essential if development is to be achieved.

### **1.5. Objective of the study**

1. To establish the existing machinery for enhancing financial accountability in the local government.
2. To find out the weaknesses of the existing financial management practices in the Makindye local government.
3. To find out what can be done to improve financial accountability in the sub county.

### **1.6. Research question**

1. What are the existing institutions for enhancing financial accountability in the makindye local government?
2. What are the weaknesses of the existing financial management practices in the makindye local government?
3. What can be done to improve financial accountability in the sub county?

## **1.7. Scope of the study**

Regarding the extent of the study, attention was mainly paid to improving financial accountability; causes of mismanagement and consequences to development in makindye Sub County and how best the situation could be rectified.

This study was limited to the period 2005 to 2007, although references sometimes was made to instances prior to this period where need arises. It should be noted that this period is reasonable enough for the correct assessment of the variation in government. Policies under decentralization program as in this period, government reforms are also assessed.

The study was carried out in makindye Sub County. Makindye is one of the sixteen sub counties in Wakiso district. The sub county borders Kampala district in the North east Mukono district in the south east, Ssisa Sub County in the south west and Nsangi sub county in the North east. Makindye Sub County has seven parishes, which include Massajja, Ndejje, Busabala, Seguku, Mutungo, Mutundwe and Bunamwaya.

It covers an area of 120 square kilometers with a population of 146, 317 people. The area is accessible with approximately 95km of feeder and access roads. There are five urban centers of Seguku, Namasuba, Masajja, Zana and Mirembe.

Three parishes were selected. Then from the selected parishes, zonal local councils are to be taken from respective parish headquarters. Three zonal local councils are then to be randomly selected from each parish.

Three zones from each parish are to be used as the primary sampling units with the assistance of the local council officials. A sample frame of five households is to be used.

### **1.8. Significance of the study**

The research benefits and assists the policy makers, financial administrators in their service to search for solutions to proper financial management.

This research shall also add to the already existing scholarly knowledge on the importance of improved financial management other than misappropriation.

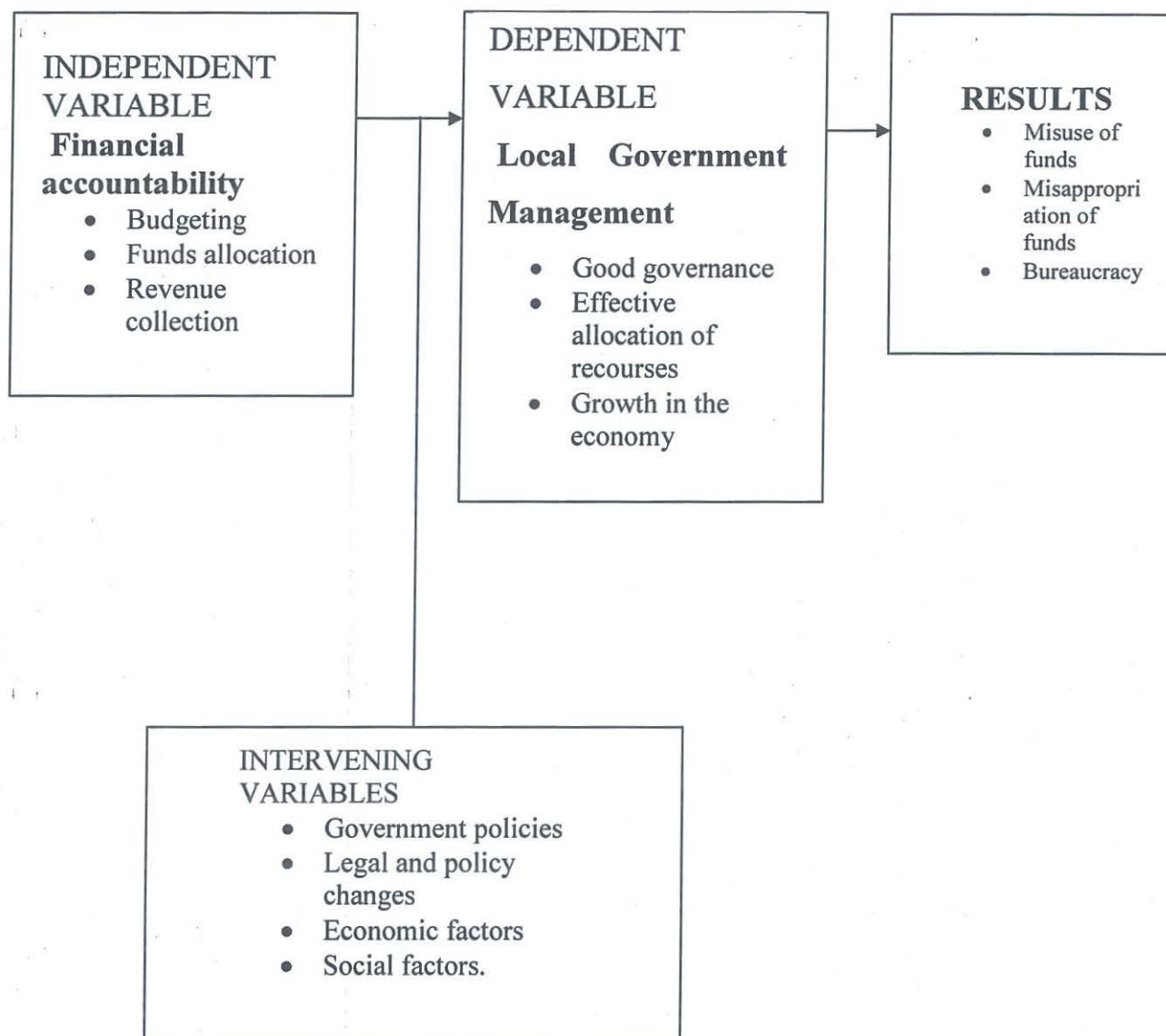
It is further hoped that the study results will form the basis for future planning in the field of financial improvement and accountability strategies and render useful reference for future improvement, not only in ethics improvement instruments and accountability but other policies as well.

It is also hoped that the results of the study will contribute to the publication or compilation of a handbook for politicians, administrators and civil society and opinion leaders on how to promote accountability and improve the delivery of services.

The result could stimulate further research in the field of realizing a responsible and accountable cadre of official at the national levels.



## 1.9. Conceptual framework



### Note.

Financial accountability is the independent variable and it is affected by factors such as budgeting, funds allocation and revenue collection by local governments. Local government management is the dependent variables who are responsible for proper financial accountability which will lead good governance, effective allocation of

resources and evenly growth in the economy. Intervening variables are the external forces that affect the day to day management of the local governments in Uganda which are government policies, legal changes, economic factors and social factors.

These have an impact on local government's management and end up bringing the above results such as misuse of funds, misappropriation of funds and bureaucracy.

This study concerns itself with examining institutions and process governing public finance management to establish how the loopholes in local government management have led to financial mismanagement, showing the legal, economical and social factors affecting them. Effective accountability leads to improvement of social welfare and economy at large.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0. Introduction**

This chapter focuses on the review of literature related to subject matter. Among other things gives an overview of the local government audit law of England, examines the financial rules of 1998, the local government act of 1997 and the constitution of the republic of Uganda 1995. These instruments bear the institutions that assess accountability in the local government.

#### **2.1. Literature review**

The purpose of literature review will be to investigate the terms more specifically for the local government. This aims on reviewing the existing literature and research materials for the study that has been carried out by the other scholars.

David card (2007) says that, according to official statistics, 20 percent of Uganda's total public expenditure was spent on education in the mid-1990s, most of it on primary education. One of the large public programs was a capitation grant to cover schools' non-wage expenditures. Using panel data from a unique survey of primary schools, we assess the extent to which the grant actually reached the intended end-user that is school. The survey data reveal that during 1991–1995, the schools, on average, received only 13 percent of the grants. Most schools received nothing. The bulk of the school grant was

captured by local an official that is politician. The data also reveal considerable variation in grants received across schools, suggesting that rather than being passive recipients of funds from the government, schools use their bargaining power to secure greater shares of funding. We find that schools in better-off communities managed to claim a higher share of their entitlements.

Many writers have written about financial management in the local government. Hailsman of St Mary Leon (1995:6) says that the local government consists of the administration by locally instituted bodies of powers conferred and duties imposed by parliament. These locally instituted bodies are constituted as corporations and such are legally distinct entities from the inhabitants of the areas, which they govern. Local authorities are subject to the inspection of any of its members who may make a copy of them or extract from them. Orders of payment must be open for inspection of accounts and other documents at audit. The responsible financial officer ensures that all accounts so required to be audited are made up and balanced as soon as practicable after the date to which those accounts are required after the date to which those accounts are to be made. Therefore Bailsman will help analyze the responsibility of the financial officer in the management of finances at the local government level.

Nick Devas (2002) shows how as a result, many Local authorities have substantial deficits – in reality, even if not shown in the approved budget. Expenditure management is often simply crisis management – starving off creditors. In most Local authorities, few services are actually delivered, little attempt is made to direct the available resources to addressing poverty. Many of these problems are caused by the structural imbalance



between expenditure needs and resource availability at the local level, but other problems are attributable by the failures of Local authorities themselves.

Reginald Jones (1997) says that, professional care must exist in carrying out and reporting upon the audit. He gives examples of what is reasonable care and skill and refers to the responsibilities of joint auditors. He also goes a head to say that the local government audit is specifically concerned with the misconduct or failure to bring into account and fairness between different sections of the public and with the wide field of value of money. However much of the literature review dwells mainly on the political aspect of decentralization that is to say it discusses the reason why decentralization is under taken.

Kafokoma R. (2005) points out that a power tool which describes ways to partner the rural poor to bring local government authorities to account. It shows change in rural locations and raises community expectations about the quality of local governance and describes a set of steps to install improvements. It flags the important role that communities can have in improving their own situation. The aim of this power tool is to stimulate the poor to participate in policy formulation and implementation processes. The tool is designed to stimulate supply-side push for improved service delivery together with demand-side pull driven by mobilized communities of the dependent poor. The tool is basically a means of raising expectations about the quality of governance that is being provided.

Victor Vergara (2007) outlines the principal mechanisms for establishing accountability by local governments including accountability upward to central and regional government as well as downward to citizens. He presents a conceptual framework for initiatives for minimizing corruption as well as establishing trust between constituents and local government. The strategies are based on diagnostic techniques shows the cause and impact of breakdown in accountability by local governments.

Although this article is a comparative study, the political aspects always comes to the forefront for example when dealing with these trends in the south pacific nations, he stated that in these countries there were strong decentralization flowing from their smaller size. So are the great ethnic diversity and their different decolonization experience which gave rise to more pressure for their recognition in independence and political settlements.

Tukahebwa G. (1998), points out the problem of ethical probity is the most serious challenge of decentralization. Much as decentralization has devolved powers, they have given opportunity for patronage. District leaders seem to think it is alright to dip their hands in public resources for their own private use.

Hanya David (2008) shows how local governments are accused of some of the most brazen acts of corruption and mismanagement in the country. Not only does this affect the legitimacy and authority of the local governments, it also has negatively impacted on their ability to raise funding from different sources, affecting their delivery of services. The Uganda Local Governments Association (ULGA) emerged out of the need to address the issues of accountability and service delivery. Local governments realised that the

decentralisation policy devolved legal, financial, political and administrative authority and that the capacity and ability to deliver responsive, quality services to the people primarily depended on the proper generation, distribution, management and utilization of public resources.

Accounting to the accounts and audit regulations 1983 of England the 'responsible financial officer' bears the responsibility for determining the accounting system, form of accounts and supporting record

Further, that officer has a duty to ensure that the accounting system determined by him is observed and that the accounts and supporting records are kept up to date. The regulation contains several sections that are particularly relevant and these are now detailed.

Internal audit is required.

- The responsible officer shall maintain an adequate and effective internal audit of accounts of the body and shall have a right of access at all times to such documents of the body which relate to the accounts of the body as appears to him to be necessary for the audit and shall be entitled to require from any officer of the body such information and explanations as is required for that purpose
- The responsible financial officer shall ensure that all accounts are made up and balanced as soon as practicable after the end of the period to which these accounts relate and in any event not later than the expiry of six months beginning immediately after the end of that period.



- Section 7 of the regulation concerns the preparation of the statement of account.

The statement of account shall include the following;

- a) Summarized statement of the income and expenditure of each fund or undertaking in relation to which the body is required by or by virtue of any statutory provision to keep a separate account
- b) A summarized statement of capital expenditure differentiated in respect to different services and showing the sources of finance of the year's total expenditure.
- c) A consolidated balance sheet
- d) Balance sheet for consolidated fund.
- e) A statement of source and application of funds

However, such format is effective but in relation to the Ugandan situation where we still have the high illiteracy rate, some sub-county chiefs may not even know what it is required of them to do even though it may be inscribed to them.

### **2.1.1. Finance and accountability in local government administration in England act**

It is important to point out at the beginning of the chapter that the local government audit law in England has taken years to develop statutes tailor-made for the subject. Therefore, this chapter is not meant to belittle or ridicule the position in Uganda. All it is meant to



do is to provide a yardstick for comparison and offer a safety net on which policy matters in Uganda can fall back to when confronted with situations, which are complex to handle and be able to find a solution from a system, which has been tried and tested.

The shortfall of local government revenue lies at the heart of urban problems. The mismatch between fiscal need and fiscal power summarized by the command that the government has all the money, the local government- all the problems and the state government- all the legal powers.

Fiscal limitations are not uniform for all municipalities and special districts nor are they so absolute to preclude legal innovations to enhance fiscal capacity. It is necessary, therefore to determine specific limitations apply to a particular government unit or function before deciding what financing options are available to achieve its particular goals.

The most important aspect to note about finance and accountability in local governments administrative in England is that it is governed by an Act, unlike the situation in Uganda where administration of finances to incorporate in the finance and accounting regulation.

### **2.1.2. Local government institution duties in finance and accounting regulation 1998**

The first part to note about the regulation is that they are too bulky, therefore the requirements that staff members should be converted with the regulation under the regulations 5(2); 7(E) 8(a) is too ambitious because the regulation deals with everything from keeping the storage rooms free from dust to budget formats. In other words some of

the regulations are common sense they would still be complied with whether they are included in the statutory instruments or not.

Regulation 4 creates the offices in charge of finance but it simply makes these offices book keepers under regulation 4(2), whereas book keeping is a branch of accounting that deals with the systematic classification, recording and summarizing of business and financial transactions in books of accounts. There is already duty placed on these officers in particular the chief finance officer who is the overall head of the other officers mentioned in regulation 4 and who are in turn the heads of finance department in their respective local administration unit and yet they are for any loss (as the accounting officer) and yet he is not given a chance to verify the accounts he is responsible for.

Regulation 4(2) demand that accounts reports is made available to members of the standing committee for finance monthly. This is not realistic in view of the activities carried out by the district such as health, education, agriculture and several others all of which have accounts departments under them. That is to say monthly reports are not practically possible, if they are being delivered to the author suspects they may be made under pressure for the sake of delivery of a report and in the process neglecting accuracy.

Regulation seven places the duty of appointing the chief finance officer and the chief internal auditor on the chief finance officer. The author feels that the chief administrative officer appoints his auditor much as the auditor submits his report to the council. It is important to note that the internal auditor is a creative of a company accounting system where by director appoints an internal auditor to ensure that the company funds are

lost, reason being that as the company's Act provides to be a director, one must hold qualification shares.

Whereas in the local government none of these employees have any attachment to the local administration apart from the fact that they are employees; thus concluding that the funds in the local government units do not reflect the performance of the local government units as would be the case in the companies. Thus authorizing the chief administrative officer to appoint a person to audit accounts he is responsible for in the sense that they would reflect the performance of the unit he is in charge of, thus not placing a lot of strain on his integrity.

Regulation six imposes on the executive committee has the duty of general supervision and control of the accounts and finance of the district and several other duties to do with financial management of the district.

However, the executive committee is given other duties under the Act, which are to do with formulation of policy for the district. Here a dilemma arises as to which duties the executive committee should carry out that is, those under the Act or those under the regulation. It appears that the duties under the Act would take precedence since acts are more authoritative than statutory instrument passed by the ministers. That would mean that the vital or duty of ensuring accountability would be removed from the scope of the executive committees' duty, which would be unfortunate since the executive committee is the most powerful organ in the district and it would be in a position to take appropriate action in case of poor accountability. Regulation 8 places a duty on the chief finance officer to recommend disciplinary action against any officer who contravenes the

regulations. However, it does not specify what sort of action is to be taken. Part (xvi) of the local government regulation provides for internal audit. The trouble with provisions is that, the internal audit department must carryout and produce quarterly reports under one of the 1<sup>st</sup> schedule of the regulations this is not realistic if one was to consider the district budget, the administrative units, and several other items and programmed provided for, under district finances.

### **2.1.3. Decentralization policy in local government act**

The pursuit of decentralization in Uganda is part of the quest for good governance ensuring effective and efficient services delivery. This chapter seeks to analyze the legal framework governing local government in relation to accountability and finds out whether the legal governing local government in relation to accountability and find out whether the legal provisions are sufficient and reliable instrument to ensure efficient and effective accountability. Decentralization is a policy that has been further amplified in the local government Act of 1997; suffice it to mention here that for the past three decades and so, governance in Uganda has been characterized by dictatorship, corruption, centralization and personalization of power

As a result of centralization we see a weak civil society that can not check the excess power of the states nor force accountability of public officials. The state and its institutions continued to dominate and infiltrate civil society leading to lack of democracy and incapacitating the emergence of any organization to articulate citizen's interest to foster service delivering at the local level accompanied by transparent accountability. The author used the local government Act 1997 and 1995 constitution as the main legislation



governing local government in Uganda and also other rules, codes regulation, statutes and a few reported cases to analyze the legal provisions governing local government versus accountability in relation to service delivery and effectiveness and show whether the legal provisions therein are necessary and sufficient instrument to proper accountability.

The local government act, 1997 as a source of law governing decentralization is meant to consolidate and streamline the existing law on local government in line with the 1995 constitution to give effect to the decentralization and devolution of function, powers and services. The Act provides the local government shall be based on the distinct unit as a unit under which there shall be lower government. Whereas the Act stipulates on different aspects and functions of the local government, the author seeks to limit his analysis of accountability. The local government act provides that the local government shall always accord nation areas preferential budget outlays.

#### **2.1.4. Decentralization policy in the 1995 constitution**

Article 17(1) of the 1995 constitution establishes local government system in Uganda based on the district is a unit under which there shall be such lower local governments and administrative units. The constitution states that decentralization shall be the principle applying to all levels of local government to ensure people's participation and democratic control in decision making. The system should ensure full realization of democratic governance all local government levels.

It also provides for a sound financial base for each district level with reliable source of revenue. Ensures that appropriate measures shall be taken to enable local government to plan, initiate and execute policies.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0. Introduction

This research study was based on a field research and compilation of materials. Materials were from the employees view in relation to decentralization finances and service delivery which was obtained through interview, articles written by various intellectual, and the decentralization secretariat. In this study, due regard was taken for important government publications such as the Uganda gazette local government Act. The study was based purely on legalistic grounds but also the socio-economic and political aspects of financial management.

#### 3.1. Sample size and composition

The random sample and stratified technique was used to represent the population from three Parishes were selected. Out of the total population of 98 the study intends to use 30 respondents and these were the accountants and the other employees who are solely responsible for the day to day running of the county council activities.

**Table Sample selection**

Population category	Target population	Sample number
Massajja	38	10
Seguku	32	10
Bunamwaya	28	10
Total	98	30

### **3.2. Data collection methods**

The data collection methods that will be used in this study are:

- 1) Primary sources
- 2) Secondary sources

#### **3.2.1. Primary sources**

This is first hand information obtained by the researcher directly from the field. The researcher conducted interviews with key informants, analyzed questionnaires filled by the employees of the county council and through group discussions.

#### **3.2.2. Secondary sources**

The researcher accessed encyclopedia and dictionaries to get better definitions and understanding of the concepts to be used in the study. The researcher also read books, articles (published and unpublished) to learn about the existing theorem on financial accountability in the local government settings, and newspapers, journals and internet materials to learn about the status of the research themes. Raw data collected from field interviews was taken from the sub-county finance office, parish cashiers, the new vision publication offices and publications in libraries.

### **3.3. Data collection instruments**

The data collection instruments that were used in this study are:



### **3.3.1. Questionnaire**

A preliminary questionnaire was administered to a sample of employees of the sub county. In addition the focus of the latter part of this questionnaire focused on knowledge, attitude and behavior in relation to the hypothesis. Data from this preliminary questionnaire guides the researcher on topics, themes and concepts in the other data collection stages.

### **3.3.2. Group discussion**

Focus group discussion stratified along gender and sub-population was collected. Four discussions were conducted and each had an average of five participants. All discussions was recorded on audiotape, transcribed verbalism, translated into English (where necessary) and entered into a word processing package, thereafter prepared into textual data. All field notes were collected during observation which was also entered into the same computer package.

### **3.3.3. Interviews**

The key informants individual in-depth interviews was also conducted to further investigative themes, the individuals identified had interesting experience and relevant narrations about the hypothesis.

This was drawn from stakeholders and institutions including ministry of local government officials, councilors, NGOs and beneficiaries. An attempt was made to recruit participants from several sub-groups. Opinion and views from in-depth interviews



that explained certain phenomena rose on the questionnaire was integrated along with the findings.

### **3.3.4 Observation**

Lastly, since the researcher is a resident of the county under study, participant's observation was employed, drawing on reflection of personal experience during the period of study.

## **3.4. Data analysis and presentation**

Data was analyzed using a computer package called spss to generate percentages.

Quantitative data analysis involved calculating the percentage according to responses given to the research questions. In order to analyze the data generated, the themes were developed according to the research questions and study objectives.

Data analysis essentially involves providing answers to research questions. Data generated in percentage, the researcher related it with the qualitative data from in-depth interviews in order to draw conclusions. The researcher manually conducted content analyzed from both secondary and primary literature. Presentation was inform of tables, figures, and pie charts

### **3.5. Limitation of the study.**

1. Respondents may be reluctant to volunteer information for fear of victimization or their identification revealed.

The researcher promised confidentiality and anonymity which was exercised as the respondent's information not given and disclosed to any unauthorized persons.

2. Time available to do the research study is too short and some respondents may take their time to answer the questions.

The researcher re-planned the time schedule by giving more time to problematic and important areas of the research, the questionnaires was structured in a simple and easy to understand language, hence the respondents were able to answer at a shorter time.

4. Funds (money) will be also another limiting factor because it is not enough to carry out all the activities required for the study.

The researcher was able to ask for money from relatives and friends who supported her financially throughout the research period.

5. The researcher is not experienced as it is my first time to do the study

The research overcame this by consulting other people who had already done research who were able to guide and give advice prior and during the research.

## **CHAPTER FOUR**

### **DISCUSSION AND ANALYSIS OF FINDINGS**

#### **4.0. Introduction**

Government financial and development managers in many societies are looked at in a negative way, they are looked at as agents to consolidate government powers in their areas inform of ensuring taxation other than being channels for service delivery to the local people. In real sense, there has been no analysis carried out as to discover the social benefits that a common habit in every part of government financial and project authorities to misappropriate finances by refusing to allocate the finances to the intended activities.

This chapter includes the main findings about financial accountability. This findings are presented in a descriptive manner since the main objective of the study was to find out ways of improving financial accountability in the local government of Uganda, emphasis has been put on describing the occurrence of different phenomena.

#### **4.1. Data analysis**

The data to be analyzed in this chapter was got from Makindye sub county employees who were chosen by the researcher to be a representative of the other county councils in the country.

The researcher used questionnaires and interview guide to gather information from the respondents. The questionnaires were sent to the organization for the employees and management to fill them.

## **4.2. Distribution of questionnaires**

The response from the respondents was encouraging as a total of forty five (42) questionnaires out of the fifty (50) distributed were duly filled and returned. This represented an overall response rate of 84%.

The following table shows the number of questionnaires duly filled and returned from different parishes.

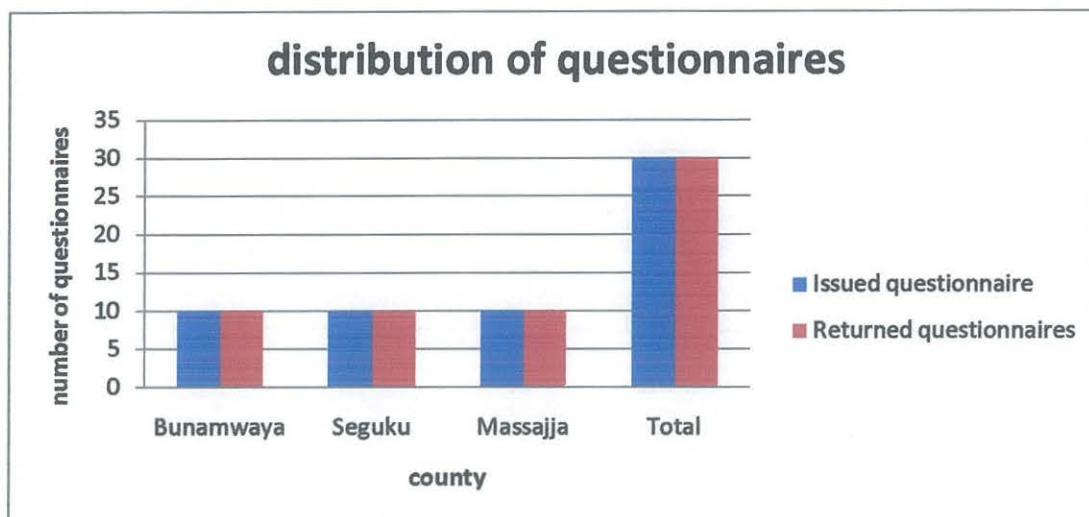
The analysis of the data in this chapter will be based on the forty two questionnaires that were duly filled and returned by the respondents.

**Table 1 Responses**

<b>County</b>	<b>Issued questionnaire</b>	<b>Returned questionnaires</b>
<b>Bunamwaya</b>	<b>10</b>	<b>10</b>
<b>Seguku</b>	<b>10</b>	<b>10</b>
<b>Massajja</b>	<b>10</b>	<b>10</b>
<b>Total</b>	<b>30</b>	<b>30</b>



**FIGURE 1: Responses made in the study**



The table and the chart clearly show the number of questionnaires that were distributed in the three parishes. The questionnaires were distributed to the Bunamwaya, Seguku and the Massajja parishes because the researcher saw that they were the most appropriate parishes to get most relevant information in regard to the topic under study. The researcher decided to select the three parishes since they lie under the Makindye sub-county.

#### **4.3. Established institutions of financial accountability**

**Question:**

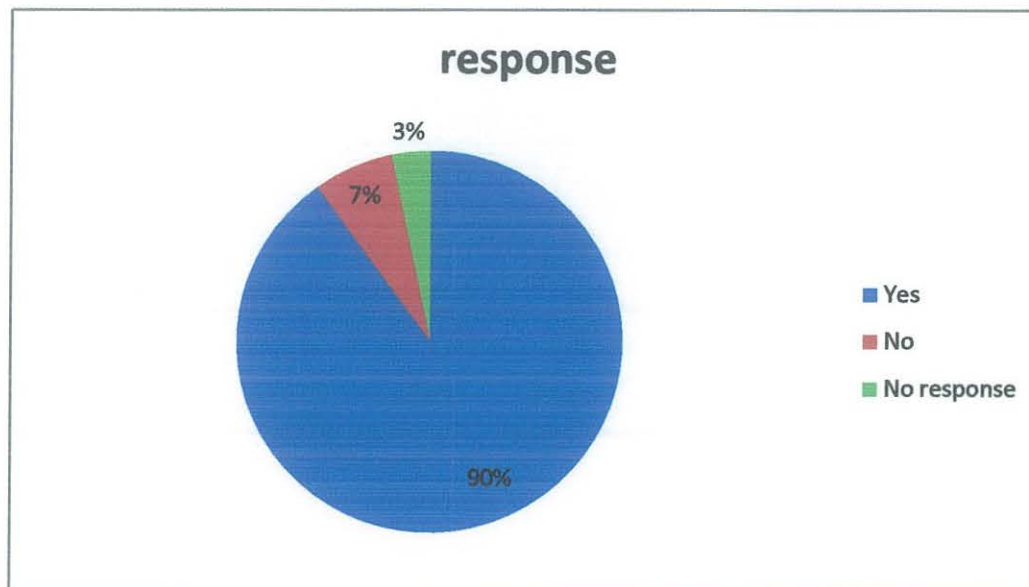
**Are there institution established in makindye to assess financial accountability?**

**TABLE 2: Responses on the institution established in Makindye to assess financial accountability**

Responses	Frequency	Percentage
Yes	27	90
No	2	7
No response	1	3
Total	30	100

Table 2 shows that 90% of the respondents agreed that there are established institutions which help in assessing financial accountability, 7% said no and 3% gave no response

**Figure 2: Responses on the institution established in Makindye to assess financial accountability**



#### **4.3.1. Accounting officers**

Regulation 4 creates the officers in charge of finance but it simply makes these officer book keeper under regulation 4(2), where as book keeping is a branch of accounting that deals with the systematic classification , recording and summarizing of business and financial transaction in books of account. There is already duty placed on these officers in particular the chief finance officer who is the overall head of the other officers mentioned in the overall head of the officers mentioned in regulation 4 and who are in turn the heads of finance departments in their respective local administrations unit and yet they are answerable to the chief administrative officer who in turn , under the law are responsible for any loss ( as the accounting officer ) yet he or she is not given a chance to verify accounts he is responsible for.

#### **4.3.2. Routine accounting reports**

Regulation 4(2) demands that accounting reports are made available to members of the standing committee for finance monthly. This is not realistic in view of the activities carried out by the district such as health, education, agriculture and several others, all of which have accounts departments under them. That is to say monthly reports are not practically possible, if they are being delivered the author doubts whether they are accurate presentation of a district accounts. Since the author suspects they may be made under pressure for the sake of delivery of a report and in the process neglecting accuracy.

### **4.3.3. Internal audit department**

Regulation seven places the duty of appointing the chief finance officer and the chief internal auditor on the administrative officer. The auditor feels that the chief administrative officer appoints his auditor much as the auditor submits his reports to the council. It is important to note that the internal auditor is a creature of a company accounting system where by the director appoints an internal auditor to ensure that the company as the companies Act provides that to be a director, one must hold qualifications shares. Whereas in the local government none of these employees have any attachment to the local government units do not reflect the performance of the local government units as would in the case in the companies. Thus authorizing the chief administrative officer to appoint a person to audit accounts he is responsible for in the sense that they would reflect the performance of the unit he is in charge of, thus not placing, a lot of strain on his integrity.

### **4.3.4. Supervision of finance by the executive committee**

Regulation six imposes on the executive committee the duty of general supervision and control of the accounts and finances of the district and several other duties to do with the financial management of the district. However, the executive committee is given duties under the Act which are to do with the formulation of policy for the district. Here dilemma arises as to which duties the executive committee should carry out that is, those under the act and those under the regulation. It appears that duties under the act would be precedence since acts are more authoritative than statutory instrument passed by the minister. That would mean that the vital duty of ensuring



accountability would be removed which would be unfortunate since the executive committee is the most powerful organ in the district and it would be in a position to take appropriate action in case of poor accountability.

#### **4.4. Weakness on financial accountability**

##### **Question:**

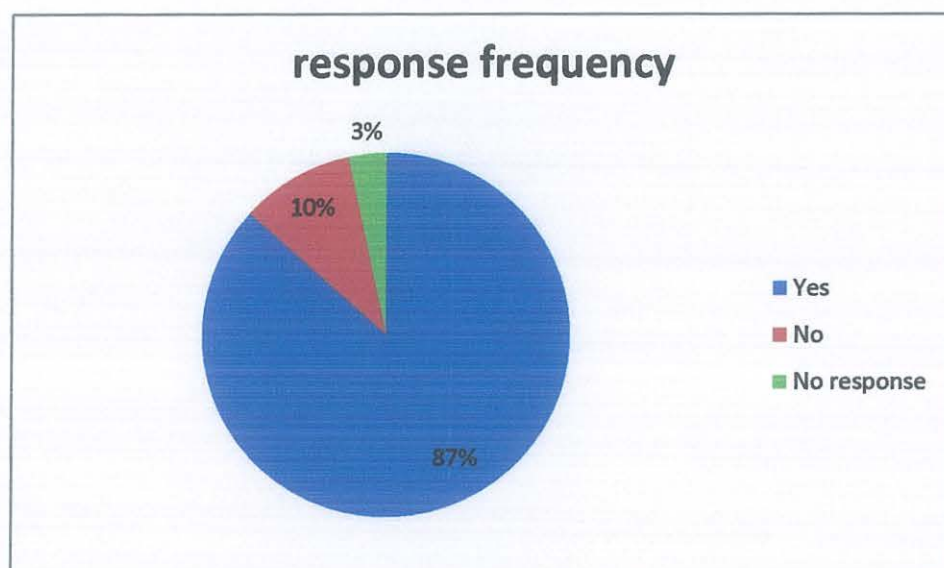
**Are there any weaknesses of the established institution to assess financial accountability?**

**TABLE 3: Responses on the weaknesses of the established institutions to assess financial accountability**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	<b>26</b>	<b>85</b>
<b>No</b>	<b>3</b>	<b>12</b>
<b>No response</b>	<b>1</b>	<b>3</b>
<b>Total</b>	<b>30</b>	<b>100</b>

85% of the respondents agreed that there were weaknesses on the established institutions which assess financial accountability and pointed out the various weaknesses encountered as discussed below, 12% argued that there were no weaknesses while 1% said they had no idea.

**Figure 3: Responses on the weaknesses of the established institutions to assess financial accountability**



#### **4.4.1. Ignorance about stake by the community**

Decentralization improves accountability only if the people are knowledgeable and are aware of their constitutional right and obligations. This means that a lot of effort must be geared towards creating awareness amongst the local people to ensure that they know the provisions of the constitution and the law concerning the rights and obligation not only to voters and tax – payers but also to disabled women, workers etc. Instance where councils pass votes of no confidence in their executive and teachers demonstration against the diversion of their salaries are encouraging indication of an emerging culture of holding local leaders accountable.

#### **4.4.2. Lack of competence**

There is lack competence among the personnel appointed to the sub counties and parishes, as this people are appointed without considering merit. Local authorities should be accountable to the people for whom that resource is managed. Lack of competence has often resulted into failure of proper service delivery to the community, as the person appointed does not know what he or she is required to do as regards community demands of the office where he or she is placed.

#### **4.4.3. Lack of consensus on priorities**

In making the district budget, councilors lack consensus on priority because they are handicapped by inadequate and unreliable information and inexperience in bargaining and compromise.

#### **4.4.4. Lack of obligatory knowledge by the community**

The local people do know their rights for accountability from the local authorities and also the o authorities too do not bother to summon the people at the end of a certain period to enlighten them on how far the councils have gone with development activities and expenditures.

#### **4.4.5. Declare rights to accountability**

Rights in finances, particularly stake holders' rights, need to be more clearly defined if local institutions are to become variable units of local level accountability management.

The right of communities to certain minimum accountability should be, specified. In this connection differences in resource endowment as well as differentiations without the communities concerned should be considered.

#### **4.4.6. Poor remuneration**

The people meant to collect sub county finances are poorly remunerated and this often forced those people to take the sub county into their own purposes. So it is appalling that in order that in order for these governments have to come finances reasonably satisfying remuneration for people concerned with collection of dues from the community.

#### **4.4.7. Improper record keeping and files management.**

Records are poorly kept bargaining from the way entries are made to the way files are kept. There is constant reports of missing files causing a break in the procedure of auditing and the related works. Constantly official fail account for funds reflecting it on loss of a particular file.

#### **4.4.8. Lack of financial managerial techniques**

There is need for finance management oriented seminars to teach people in local government record maintenance , accountability and financial managerial techniques for example, there has to be a scheme meant for upgrading of the sub- county long serving persons to equip these people with better service skills and to have result oriented management.



#### **4.4.9. Strings attached to funds and appointed by central**

**government should be stopped.**

Appointment of sub county servants on political directives and strings attached on funds sent to the local governments should be restricted. Such appointment make a person to act as an untouchable ; he or, she acts as he wishes including mishandling of finances. Therefore , in order to improve financial accountability and do'way with the problem of misappropriation , there is need to address issues that are recurring form the social , economic and political forms of governance and other financial procedures Thus, improving on the financial accountability in the redressing of such issues.

#### **4.5. Mechanism to improve financial accountability**

**Question:**

**Is there anything can be done to improve financial accountability in Makindye Sub County?**

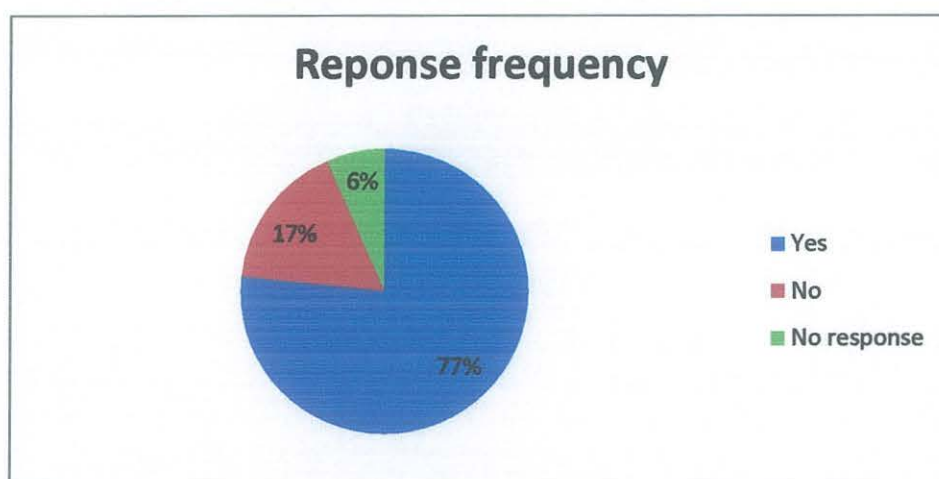
**TABLE 4: Responses on ways to improve financial accountability in Makindye sub county**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	<b>23</b>	<b>77</b>
<b>No</b>	<b>5</b>	<b>17</b>
<b>No response</b>	<b>2</b>	<b>6</b>
<b>Total</b>	<b>30</b>	<b>100</b>



77% of the respondents gave their various comments on how to improve on the financial accountability as discussed below, 17% said that there was nothing that would be done to improve on the financial accountability while 6% gave no comments.

**Figure 4: Responses on ways to improve financial accountability in Makindye sub county**



#### 4.5.1.Improving competence

As local government , staff development should target both appointed and elected officials, for elected officials the councilors should be trained inform of sensitization , induction and orientation seminar and workshops about policy imperative , the new institutional frameworks and their relationships and the emerging center- local linkage.

For the appointed officials, staff development should be in form of seminars , workshops and long curses for target officials. Special focus should be put on accounts techniques and internal auditors as well as personnel, planning an d administrative officials.

accounts techniques and internal auditors as well as personnel, planning and administrative officials.

#### **4.5.2. Holding consensus**

Following the decentralization program, the given councilors should have specific guidelines to enable them to participate fully in the process of budgeting for their districts. For example, councilors, chief executives, heads of departments, central agencies and NGO's produce a list of district political and economic priorities to facilitate sectoral planning. The priority is then translated into budget proposals that are discussed in a number of stages. These include the budget conference, which produce guidelines and costed sectoral policies and finance committee which is to examine the proposal and to ensure that they are consistent with available resources.

#### **4.5.3. An effective monitoring and evaluation team**

This was done on performance monitoring indicators bases. These includes performance accounting, forecasting and early warning during program implementation, measuring program results and benchmarking. Performance accounting, helps to inform resource allocation decisions if they are used to direct resources to the most successful activities and therefore improve the most efficient use of resources.

Forecasting and early warning; this will help to measure progress against indicators and points towards future performance providing feedback that can be

used for planning , identifying areas needing improvement and suggesting what may be done.

Benchmarking is to generate data against which to measure other project of program. It also provides a way to improve programs by learning from success and failure , identifying good performance.

#### **4.5.4. Computerize system management**

There is need for computerization of record and files management system in the local government level in order to avoid the cases of where one fails to be accountable for finances and reflects it on loss of a particular file. This eases the whole system of accounting , where a document is availed by only a mere click of a button.

#### **4.5.5. Capacity building and institutional development**

There should be capacity building and institutional development. ;how that all districts have had knowledge set up and are functioning appreciably well.

Government should fund programs to strengthen registers and management information systems of all districts and urban councils. The program should involve funding civil works in districts and at sub – counties that do not have registers is the provision of shelves and file cabinets and training registry staff.

#### **4.5.6. Co- management**

The co- management relationship between the local communities and councils should be clearly defined and give a legal basis in order to exempt the possibility of re- centralization of council level.

## CHAPTER FIVE

### SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

#### 5.0. Introduction

During the study several problems were identified, for example placing so many responsibilities on a single individual. No specific action, which can be taken in case of misconduct of officers. Thus, the purpose of this chapter is to recommend steps, which can be taken in an attempt to correct such problems.

#### 5.1. Summary

It is clear that most of the revenue in Makindye sub county is being lost due to poor forms of accountability. Yet much effort is being put into finding core finances for projects compared to efforts in getting more correct accountability. Even those who are to show some accountability are in a way taking chance of some loopholes in the local government finance system most of them do not have standing auditors anyway. Accountability reform spending procedure and authority regulation is an important element of stabilization. Problems of mismanagement and its effects can be studied.

In early 2001, there was an increasing push for the government movement by the donors for accountability reforms in the decentralization aimed at stream lining



service and project delivery to the local person and in another case, moving the system to that scale where it is transparent. With transparency in accountability, the bureaucracies allowed in the system are strictly limited.

## 5.2. Recommendations

During the field study, it was observed that the auditors general's office at the district and sub county levels, does not have enough powers to investigate whereas they gave out most information on financial management. In other words, the auditor general's office just acts as an observer who only reports to the parliament. This does not help and it is not effective, but if the auditor general is given powers, for example, to participate in budgeting, it would curb the cases of over spending since it would be working on behalf of the government and not the district internal council because who may work in favor of the district. Thus, I would advocate for both auditor general and internal auditor to participate fully in the affairs of financial management and accountability district level, sub counties inclusive.

It was observed that the local government's Act 8, 1997 together with the financial and accounting regulations of the 1998 are not comprehensive in covering every aspect of local government finance. Therefore, it would be better if a separate Act governing local government finance was enacted to provide detailed provisions on local government finance.

During the field study, it was pointed out that , the government does not pay for the workers in the local government, thus government should provide for salaries for these workers since the council or district can not manage on its own when it has meet its own obligation. Thus the government should increase on the non - conditional grant at the district.

Few cases ,Where it is said that an individual shall refund any funds misused as a result of his act or omission to act. The laws are not clear on what action should be taken apart from stating that the head of the relevant departments shall take disciplinary action, which is not specified. Thus , the laws governing local government finance should be clearly spell out what action should be taken against officials responsible for the loss of public funds.

It was also discovered that the local governments as a systems being interrupted by politicians who meet their own interest so that they can be voted back in their political positions and thus has really affected the system. for example, most tenders are given by and to politicians on political grounds and it becomes hard for a junior person to tell his " boss" that he has not yet paid certain fees , for instance, that he has not yet paid fees for the bus park.

During the reviews of the laws governing financial administration of local governments it was observed that the chief administrative officer and the sub county chiefs have so many duties to carry out, for example , advise council , manage the

staff of the district and sub county respectively and also to be accounting officers . This has lead to chief administrative officer and the sub county chief having difficulty in performing their regularly assigned duties. Thus, it would be better if the chiefs were given fewer duties , making him effective , rather than making him the final authority on every non - political matter at the sub county.

Apart from that the laws should attempt to punish the particular officer responsible for the loss of funds because it appears that the laws attempt to place the ultimate blame on the overall officer in charge who is the chief administrative officer and the sub county chiefs respectively. This is an abuse of the principles of natural justice.

It was discovered from the filed research that the education funds are mostly embezzled by the head teachers, and graduated tax by chiefs at the parish level. This shows that the accounting system in such areas is not performing or people in charge are not aware of the consequences of mismanaging of funds and thus more efforts should be put in such areas and culprits punished severely.

During the study , it was pointed out that the chief is an administrator by virtue of the requirements needed for him to hold the office. But chiefs duties make him the accounting officer,, which is not fair on him, as he has to account for figures he has not prepared. Therefore, it would be better if the finance officer were made the accounting officers since it is he who disburses all the money of the sub county.

As illustrated in ; chapter 4, the highest percentages of the misappropriated revenue that is lost in Makindye sub county was due to the use of inaccurate and incomplete information during designing o f projects and budgeting. Therefore, an agent needs to find remedy for this problem. In the case therefore, recommendation is:-

The project viability forms should be more detailed in order to provide more information about the project and the people among whom it is to be introduced. This expanded form will have a number of advantages;

- The information filled on the forms by the designers could be used by other government and private sectors as a source of data.
- An expanded form will force a chief or whoever is recording property to write down some figures whether right or wrong. How if these people know what they face prosecution for giving wrong information and in time if some people are actually prosecuted eventually the situation will improve.
- During the project evaluation it will be possible to compare with the previous years for a particular project as a check against under over - spending.

As regards those in the tax section, in many cases, the information concerning the tax payer's income and property is rarely entered on the forms. Efforts should therefore be taken immediately to stop this practice. Whoever is doing the property



recording should be told that the forms must be completed. If a tax payer has no taxable property at all, this fact should be entered on the form. Failure to fill in the form should also be treated as an offence leading to prosecution on the basis of giving false information.

The expanded forms plus the requirements that have to be filled in will greatly reduce biases and errors due to the favourism, corruption and political ambitions. Unfortunately, the education and experience of chiefs makes many of them incapable of carrying out estimates of value of taxable property.

Chiefs and local committee members involved in the assessment exercise should be given annual training on the procedure of assessment because the exercise lies heavily on their hands. Annual training will enable the chiefs to be more competent while doing the work of assessing under constant revision with respect to changes in prices and level of productivity. Price and level of productivity factor are the basis for individual wealth and income where tax payer's wealth increases or decreases, there is need for re-assessment.

People who are diploma holders should be used as chiefs as this can improve the administrative exercise and minimize deviation from local government regulations. A diploma holder is knowledgeable and will not easily be unanswerable, gullible or manipulated by interest seekers with intentions of getting their wish done even if where out of the local government provisions.



The persons involved in handling of finances at the sub county should be motivated and well paid in order to execute their duties efficiently. This should be by giving them sufficient salaries and allowance. This is because low salaried workers are often willing to compromise the integrity of his or her job when a bribe is given to such a person for a wrongful intent. Good remuneration to persons involved with finances will mean serious work execution and thus combating failure of projects and misappropriation.

There is need to computerize the finance administration system in Makindye sub county. This will facilitate identification and follow up of all expenditures. Data regarding how much each project was spent on, which parish took how much and other related expenses in the sub county. This information can also be useful during the auditing and future planning and budgeting processes.

### **5.3. Conclusion**

Devolving financial resources to local governments is the ultimate test empowering the local people. Many functions and responsibilities have already been devolved to local governments. However, for local government to perform their functions effectively they should not only receive the higher share of government revenue but they should be able to produce accountability both to the government authorities and to the local people.

This study has traced the ways to improve accountability under decentralization taking Makindye sub county as a case study. Results obtained were used to make

references about the whole district. Several objectives and hypothesis were put out forward (see section 1.5). The rationale for the study was triggered off by the researchers interest in training ways to improve accountability under decentralization.

The results indicated that the amount of finances lost due to lack of accountability depend on the income availability in relation to remuneration of sub county employees, personnel competence and knowledge, political directives form the above. The resultant consequences are the sub county's inability to carry out programs basing on the drawn budgets and on people's priority areas.

However, through there are tangible developments going on in the sub county, they are not implemented , as they fully should have been done because of misappropriation. Projects in some cases are worked upon a halfway and others may fail to take off. Various suggestions were put forward as ways to improve financial accountability and various other necessary reforms as regards the laws governing accountability at the sub counties and the inspectorate enforcement machinery.

Therefore , the local government system of decentralization was a policy, which was, designed in the case of Uganda to hand power to people , but it overlooked putting in place effective mechanisms that would assist in fostering accountability of the power and funds

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## APPENDIX A:

### TIME PLAN:

ACTIVITY	JAN	FEB	MAR	APR	MAY	JUN	JULY	SEP	OCT	NOV	DEC
feasibility study	***	***									
Proposal writing		***	***	***							
submission of the proposal					***						
Data collection						***	***				
Data analysis							***				
Moderating of research project								***	***	***	
Submission of final report											***



## APPENDIX B:

### BUDGET:

Item	Amount (Ug shs)
Internet	3000
Transport	15000
Photocopying	5000
Binding	2000
Stationery	3000
Secretarial services	4000
Miscellaneous	1200
Total	33200

## APPENDIX C

### QUESTIONNAIRE FOR ACCOUNTANTS AND OTHER EMPLOYEES IN THE COUNTY COUNCIL

Name (Optional)

Sex:

Occupation:

Level of Education:

*You are requested to complete this form to assist completion of a being carried out study to complete a degree of Kampala International University. The responses will be treated with a lot of confidentiality.*

What do you understand by Financial Decentralization? -----

-----  
-----

Is financial decentralization in Uganda doing well or badly?

a) Well

b) Badly

If Well, how? -----

-----  
-----

If badly explain how and why? -----

-----  
-----  
-----  
-----

Are there institutions established in makindye Sub County to assess financial accountability

Yes ☐

No ☐

If yes, Name the institutions that have been established in the Makindye sub county to Assess financial accountability?

1.

2.

3.

4.

5.

Are there weaknesses of the established institution to assess financial accountability?

Yes ☐

No ☐

If yes, what are the major weaknesses of the established institution to assess financial accountability?

1.

2.

3.

4.

5.

What are the causes of these weaknesses? -----

-----  
-----  
-----  
-----  
-----

Is there anything that can be done to improve financial accountability in Makindye Sub County?

Yes ☐

No ☐

If yes, what can be done to improve financial accountability in Makindye Sub County?

1.

2.

3.

4.

5.

Give any further information that will help in the completion of this study.

-----  
-----  
-----  
-----  
-----  
-----

**Thank you.**

## APPENDIX D

### A MAP OF KAMPALA SHOWING MAKINDYE SUB-COUNTY

