

**INTERNAL AUDIT AND FINANCIAL ACCOUNTABILITY IN STATE MINISTRY OF
LOCAL GOVERNMENT TORIT-SOUTH SUDAN**

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DECLARATION

I Oswaha Rex Ben, do hereby declare that the content of this thesis is the original of my work and it has not been presented for a Degree or any other academic award in any university or institution of Higher learning” and the date indicated along the signature.

OSWAHA REX BEN 

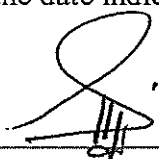
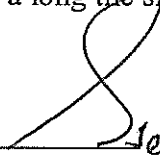
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APPROVAL

I confirm that the work reported in this thesis was carried out by the candidate under my supervision” and the date indicated along the signature.

  *Sengul A*

Name and Signature of Supervisor

13/11/2016

Date

DEDICATION

I dedicated this thesis to my beloved wife Iqbal Josephine, my children Omura Opitmoi, and Ihatar Michelle for encouraging me to pursue this project and accepted to miss my company for most of their time, your understanding is today's joy my family.

Dad and mum, you are my life and that without you I would not have existed in this world, my growth up with good moral values, personalities are your foundation pride, thank you for bringing me to this world and I surely rated you first class being.

May almighty have you all blessed.

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My colleagues have been friendly and indebted in sharing skills to reach this final journey in academia environment, thank you all.

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I respect all of you.

ABSTRACT

The purpose of the study was to evaluate the level of significant relationship between internal audit and financial accountability of Local Government at the State Ministry of Local Government South Sudan, the study objectives were; i) to evaluate the level of internal audit system of local government; ii) to assess the level of financial accountability of local government; iii) to determine if there is significant level of relationship between Internal Audit and financial accountability of local government. The population target of the study was 162, and Slovene formula was used to determine the sample size of 115, Purposive sampling was used to determine the level of education and experience of the respondents. And the statistical tools used for data collection were mainly self-developed questionnaires.

Tools of data analysis used included frequency count for determining the profile level of respondents, social package for social science (SPSS) descriptive statistics showing the mean and standard Deviation, Likert scale for response rating and Pearson linear correlation coefficient was used to test the null hypothesis, and the following findings were revealed:

In objective one the findings were that internal audit influence financial accountability positively, and it is concluded that, Fair level of integrity, confidentiality and objectivity within Internal Audit Department in the State Ministry of Local Government yield fair financial accountability results. In objective two of this study, it was revealed that low level of going concern, Realization, consistency, and disclosure yield low level of financial accountability results at the state ministry of local government. In objective three it was also found that there is a significant relationship between Internal Audit and Financial Accountability of Local government ($r=0.677$, $P<0.05$). This mean that improving internal audit system will promote financial accountability at the state ministry of local government and the reverse is authentic. The recommended that the state ministry of local government should be able to strengthen the importance of going concern concept, realization, consistency and disclosure principles because these are key elements in determine the quality of financial accountability with in an entity.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter consists of the background of the study, statement of the problem, purpose of the study, objectives of the study, hypothesis of the study and the significant of the study. The aim of the study was to establish the relationship between internal audit and financial accountability in state ministry of local government Torit South Sudan. Internal audit is used to check on integrity, competency and objectivity and this help managers in making decisions. On the other hand financial accountability is used in determining financial statement's status and measuring financial management system of an entity, financial information users, such as investors, managers, government, donors and other stakeholders would in general appeal for financial accountability as a strong indicator to development impacts.

1.1 Background of the Study

1.1.1 Historical Background

The Zhao dynasty in China (1122-256 B.C.).Stated that the need for audits can be traced back to public finance systems in Babylonia, Greece, the Roman Empire, the City States of Italy, which developed a detailed system of checks and counterchecks. Specifically, these governments were worried about incompetent officials prone to making bookkeeping errors and inaccuracies as well as corrupt officials who were motivated to perpetrate fraud whenever the opportunity arose. Historically then, the emergence of double-entry bookkeeping in circa 1494 A.D directly developed critical need for exercising stewardship and control, and throughout European history, fraud cases such as the South Sea bubble of the 18th century, and the tulip scandal provided the justification for exercising more control over managers. So within a span of a couple of centuries, the European systems of bookkeeping and Internal auditing were introduced and extended to the United States around the turn of the 20th century to be responsible for "careful collection and interpretive reporting of selected business facts," enable management track significant business developments, activities, and results from diverse and voluminous transactions (Mautz, 1964).

Companies in the railroad, defense, and retail industries had long recognized the value of internal audit services, going far beyond financial statement auditing and devoted to furnishing reliable operating reports containing non-financial data such as "quantities of supplies, adherence to

schedules, and quality of the product” (Whittington & Pany, 1998). Similarly, the U.S. General Accounting Office (GAO) and numerous State Auditors’ Offices, for instance, the State of Ohio Auditors’ Office, have traditionally employed large numbers of internal auditors to audit growing transaction complexity, review and summarize business activities in a meaningful way, need for organizational status to ensure independence and objectivity, as well as the procedural discipline necessary for being the “eyes and ears” focusing on protection against payroll fraud, loss of cash, and other assets. Therefore internal practice was quickly extended to Africa and in South Sudan when professional accounting institutions emerged.

(Internal auditing is an integral part of modern business, no any large business can escape it. If they haven’t got it now, they will have to have it sooner or later, and, if events keep developing as they do at present, they will have to have it sooner.” (Quoted in Flesher, 1996, pp. 1, 3) “Internal auditing thus emerges as a special segment of the broad field of accounting, utilizing the basic techniques and method of auditing”Brink and Cashin (1958).

According to Reeve, (1996) Financial accounting is derived from the word accounting which started way back in Babylon around 36000 BC, when some clay tablets were kept indicating payment in ancient Egypt and in Greek city states, Luca Pacioli, Franciscan monk was among the scholars who invented double entry book keeping system in Italy in 1494, for purposes of financial accountability, and according to the Institute of Internal Auditors Research Foundation believed formal record-keeping systems were first instituted by organized businesses and governments in the Near East to allay their concerns about correctly accounting for receipts and disbursements and collecting taxes around(4000 B.C.) Accounting for finances resulted into Financial Accountability term which later on widely received in the whole world including Africa and South Sudan.

1.1.2 Theoretical Perspective

This study is guided by the agency theory by Adam, (2014). The theory states that internal audit is very important inside a firm and it is regarded as the key element in the application of accounting systems which in turn, helps in evaluating the work of the firm. The efficiency of internal audit helps perfects services delivery, because financial accountability reflect the internal audits quality.

This theory is relevance to this study as it is a significant part of the Corporate Governance structure in an organization and Corporate Governance encompasses oversight activities taken by

the board of directors and audit committees to make sure that the financial reporting process is credible with three monitoring mechanisms such as external auditing, internal auditing and risks management committee. Agency theory appreciated that efficient and effective internal audit system and financial accountability in services delivery depend largely on the existence of qualified and experience internal auditors to measure the firm performance level.

1.1.3 Conceptual Perspective

In the words of Cornett and Nofsinger (2009), Internal audit, is a systematic process of objectively obtaining and evaluating evidence regarding to assertion about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users, and in my own understanding internal audit deals with internal control system, ascertaining, recording, testing routine, compliance and evaluating financial internal control and established general management standards within a scheme

Kimuda (2010), Financial Accountability is an act in which public officials, civil servants, politicians, managers, directors, accountants and board of trustees both in government and non-governmental organizations have a duty to act transparently and answer questions concerning their prepared financial statements , defend them and are subjected to sanctions when their duties and commitments are below the standards set or rewarded for achieving or exceeding the required principles, especially when financial statements meet required Generally Accepted Accounting Principles

And in my own understanding, financial accountability engage in examining evidence of existence of fair view of financial statements of an entity and availability of unqualified financial reports, derived from transparent financial source documents

1.1.4 Contextual Perspective

In this modern world economic environment, characterized with scarce financial resources , most government and non-governmental organizations stakeholders throughout the world are opposed to internal audit system and financial accountability which is the most vital requirement in the statutory audits of any state in the developed world countries like United states of America and developing countries of Africa, and this resulted to financial scandals cases all over the world and of which South Sudan is not an exception, auditing and Financial Accountability has been used by

most government and donors world over in determining investments promotion which is a key to the country's development. Fifty nine years of conflict in South Sudan since 1956, have weakened public financial management historical remnants of the local government system and undermined reliable local service delivery mechanisms, especially internal audit system and Financial Accountability, although South Sudan had tried to make significant progress in defining the legal and policy framework for decentralization and establishing basic local government structures such as Local government Public Financial Management system and planning procedures. The Transitional Constitution (2011) sets out the basic principles of decentralization and the Local Government Act (LGA, 2009) provides for the devolution of functions to states and counties which are under local government administration with wide range of responsibilities for local planning and primary service delivery but internal audit system and Financial Accountability remain very weak, and evidence was seen from the durra scandal and missing four billion dollars of 29/6/2012, (WWW.Gurtong.org) meant for humanitarian services delivery from government treasury and no official was prosecuted to date. leading to establishment of Multi donor trust fund body to oversee the delivery of public services to the citizen and all donations were channeled through this body along other agencies such as United Nations Development program (UNDP) and other UN agencies, national and international organizations in 2012 (www.World Bank.org/en-South Sudan Financial accountability assessment report, May 31/2012)

Currently, delivery of development programs such as health, education, water, agriculture and capacity building of government human resource have been run by Co-water International, Local Government services delivery organization (LOGOSSED) and UNDP on behalf of government and funding from donor family is channel through these organizations as government trust is washed out.

The intended study was to assess the level of internal audit system of local government, secondly to evaluate the level of financial accountability scheme of local government and thirdly to determine the level of significant relationship between Internal Audit and financial accountability of local government, the findings were analyzed, interpreted, reported and recommendations made in chapter four and five of this thesis document.

1.2 Statement of the Problem

Internal audit system and Financial accountability of local government in South Sudan and in Eastern Equatoria states Ministry of local government is still weak since 1956 up to the signing of the Comprehensive Peace Agreement (CPA) in 2005 between the Government of Sudan and South Sudan Government and after the declaration of her independent on 30th July 2011, and efforts are still focused largely on humanitarian approaches to expand services to the citizens through Non-Governmental Organizations (NGOs), as weak government internal audit systems, financial accountability and low stakeholders capacity inhibited donors from providing direct support to government for basic services.

Uncovered internal auditors report of 2013 July 30 did not observe audit law and disclose expected partial recordings of raised revenues from taxes, this should have been disclosed in totality, this evidenced that internal auditors partially participated in relationship with entity accountants and administrators which impair their judgment on the assessment and compromised their work coverage. liquidation of the ministry assets such as cars with no proper devaluation procedure was noted in their financial reports of 2013/July 30, adopted methods such as FIFO (first in and first out) LIFO (first in and first out) in stock taking were not consistent in disclosed records of 2014 July 30, Revenue raised from taxes were partially disclosed in financial statements presented and deviations from generally accepted accounting principles were not recommended in internal auditors report of 2013, July 30.

The country's core administrative structures and mechanisms for resource allocation and internal audit system and financial accountability are extremely weak and fragile, especially at State levels where local government services are dominant, this capacity constraints combined with the uncertainty around future public revenue, are a significant impediment to providing services quickly and at scale through government systems. However, experience shows that post-conflict countries with weak institutions are the most vulnerable to resumed violence and instability, and are least able to respond to internal and external conflict stresses (World Bank, 2011). Therefore efforts to deliver tangible improvements in services need to be consistent with simultaneous interventions to improve internal audit systems, financial accountability, governance and build institutions capable of responding to citizen needs, South Sudan as a new nation has so far tried to

formulate public financial management legal regulatory provisions for entire government but implementation remained a wider challenge to be reinforced.

The danger of poor auditing scheme and financial accountability due to low capacity, and existence of weak local government institutions would lead to total collapse of local government structures in south Sudan if not addressed carefully, the causes of poor internal auditing systems and financial accountability originated from low capacity and weak local government schemes to set standards required and this had been seen from the field by me the researcher.

Cash and vouchers transfers in vague humanitarian context are evidence of poor internal and financial accountability (www. World Bank, report on economic overview on South Sudan May 31-2012)

1.3 Purpose of the Study

The purpose of the study was to evaluate the level of internal audit system of local government, assess the level of financial accountability of local government and to test the relevancy of the null hypothesis to this study, to contribute to existing knowledge and to fill the gaps identified.

1.4 Objectives of the Study

- To evaluate the level of internal audit system of local government.
- To assess the level of financial accountability of local government.
- To determine significant level of relationship between Internal Audit and financial accountability of local government.

1.5 Research Questions

- What is the level of internal audit system of local government?
- What is the level of financial accountability of local government?
- Is there a significant level of relationship between internal audit system and financial accountability of local government?

1.6 Hypothesis

There is no significant relationship between internal audit system and financial accountability of local government.

1.7 Scope

1.7.1 Geographical Scope

The study was conducted at the State Ministry of Local Government Torit South Sudan, which is located in the South East part of South Sudan, bordering Central Equatoria State to the west, Jonglei State to the North, and international boundaries of Uganda to the South, Kenya to south East, and Ethiopia to the East, and has a population of nine hundred six thousand one hundred twenty six (906,126) in 2009 census, and it covers eighty two thousand five hundred forty square kilometers (82,540km²), with eight Counties, fifty six (56) payams, three hundred fifty eight (358) Bomas and many villages which are Local government administrative units, but South Sudan covers an area of 640,000 Square Kilometers with census recorded population of 8.6 million and it is divided in to ten states and seventy eight counties, of which Eastern Equatoria State is among the ten state.

1.7.2 Content Scope

The subject matter focused on the internal audit and financial accountability of local government and to test the null hypothesis.

1.7.3 Time scope

The study took five months period for the thesis to be computed, analyzed, interpreted and printed as hard copy and the long period taken was due to financial constrain the researcher encountered in meeting the operational cost.

1.8 Significance of the Study

The data compiled would be of help to the planners, accountants, researchers, Government policy makers, donors and the general public that shall come across the document, since it contained all the necessary findings concerning internal audit and financial accountability of Local Government, and the institution should be able to improve on identified weaknesses and threats but build on the strength and opportunities uncovered by the findings and the data should be an additional input to any existing literature concerning internal audit system and financial accountability, and to me as the researcher, I gained a lot of experience about local government auditing system and financial accountability schemes currently operating in the field.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed the Agency theory, conceptual framework and the related literature to internal audit and financial accountability objectives of the study.

2.1 Theoretical Review

According to Adam'(2014) Agency theory, internal audit is very important inside a firm and it is regarded as the key element in the application of accounting systems which in turn, helps in evaluating the work of the firm. The efficiency of internal audit helps perfects services delivery, because financial accountability reflect the internal audits quality.

I choose this theory because its scope is more practical to the real practice of an internal audit which is a significant part of the Corporate Governance structure in an organization, and Corporate Governance encompasses oversight activities taken by the board of directors and audit committees to make sure that the financial reporting process is credible with three monitoring mechanisms such as external auditing, internal auditing and risks management committee. The strength of Agency theory is that it measures internal audit scheme compliance with objectivity, competency, confidentiality and professionalism in checking financial accountability indicators in relation to the firm performance level.

2.2 Conceptual frame work

Independent Variable (IV)

Internal Audit

- Integrity
- Objectivity
- Competency
- Confidentiality

Dependent Variable (DV)

Financial Accountability

- Going concern
- Consistency
- Realization
- Disclosure



Source: (IIA, 2002); Kimuda (2010).

2.3 Review of Related Literature

2.3.1 Internal Auditing

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 (IIA, 2002). Internal auditing is a catalyst for improving an organization's governance, risk management and 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 (Sawyer, 2003).

According to Brown (2008), internal auditing is the examination, monitoring and analysis of activities related to a company's operation, including its business structure, employee behavior and information systems. An internal audit is designed to review what a company is doing in order to identify potential threats to the organization's health and profitability, and to make suggestions for mitigating the risk associated with those threats in order to minimize costs.

Internal auditing 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 (Frigo, 2002).

According to the Institute of internal auditors (IIA, 2000) internal audit is an appraisal or monitoring activity established by management and the directors of an entity to review accounting internal control systems as a service to the entity. Its functions include examining, evaluating and reporting to management and the directors on the adequacy and effectiveness of components of the accounting and internal control systems.

According to international standards on auditing (ISA 2000) is carried out in accordance with International Standards on Auditing (ISAs). The standards outline basic principles and essential procedures to be followed when conducting an audit. Any departure or deviation from auditing standards must be disclosed in the audit report.

According to scholar Willingham (1996), practicing Internal auditing requires a continuous independency, objective assurance and consulting program designed to add value and improve the operations of an institution, the job of an internal auditor is to evaluate the effectiveness of the fiduciary risk management procedures, controls and governance process within an institution like Local Government, and then advise its management and the legislative council on areas to improve and new risk management procedures must be set in place.

Cornett and Nofsinger (2009) argue that internal audit, is a systematic process of objectively obtaining and evaluating evidence regarding to assertion about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users, however

Whittington and Kurt (2001) explain that internal audit is the examination of financial statements by internal auditor to determine their fairness evident by the availability of transparent records and practice of generally accepted accounting principles and existence of internal financial management system.

Alvin (2011) added that the scope of internal auditing includes assessment of the efficiency and effectiveness with which the operations of the institutions are conducted; provision of reasonable assurance about the reliability of financial reporting, assurance that procedures are in place to

deter fraud as well as to investigate fraud; Assessment of procedures in place for safeguarding assets; Measuring compliance with the laws and regulations, It must be noted however that the responsibility for establishing the policies and process (the internal controls) in all the areas belongs to the management of the institution in charge.

Furthermore, Carmichael and Carol (2013) said that the internal auditor assesses controls and systems established by management and provides reasonable assurance about their reliability and provides advice on how to improve them. As independent advisors to management, internal auditors should not get involved and are not responsible for implementation or execution of the activities of an institution, they should advise management and the board of directors with respect to how to better executes their responsibilities.” To perform their role effectively, internal auditors require organizational independence from management. This is important to enable them offer unbiased advise and constructive criticism so as to enable them conduct unrestricted evaluation of the activities of the institution managers and staff. Therefore although internal auditors are staff members of the institution, their primary responsibility should be to the entity charged with oversight of management’s activities (Carmichael and Carol, 2013).

According to Bou-Raad (2000), the golden principles that state the Code of Ethics for Internal Auditors in Government are Integrity, Objectivity, Competency, and Confidentiality.

2.3.1.1 Integrity

Integrity is expected in aspects of the internal audit work. The principles of honesty and fairness are to be observed. The basic point that is raised here is that the auditor’s report should bring with it an aspect of trust, reliance and fairness (Bou-Raad, 2000) and this was fairly observed as from the internal audit report of 2013 July 30.

2.3.1.2 Objectivity

Professional competency and assessment of facts with utmost care is a pre requisite for a good internal auditor. An internal auditor should refrain from making reckless and irresponsible statements or resorting to expressions without proper evidence (Bou-Raad, 2000), in tracing this, minutes of advisory role testing internal auditors independence were fairly disclosed in 2013 July report.

2.3.1.3 Competency

An internal auditor is expected to apply appropriate skill and knowledge combined adequately with experience. An internal auditor should refrain from undertaking works that are outside his scope or beyond the scope of his skill and competence. Performance of the audit and preparation of the report require due professional care by persons possessing adequate training, experience and competence in auditing. The majority of staff development, however, results from on the job training where auditors assist in the training of less experienced staff members. Each auditor must be responsible for continuing his/her education in order to maintain their proficiency. This involves keeping abreast of current developments in auditing standards, procedures and techniques (Bou-Raad, 2000).

2.3.1.4 Confidentiality

The internal auditor should safeguard all information received by him as most of them may be of confidential nature. There shall be no spill out of possessed information unless there is a statutory, legal and professional requirement to do so (Bou-Raad, 2000).

2.3.2 Financial Accountability

According to Kimuda (2010), financial Accountability is an act in which public officials, civil servants, politicians, managers, directors, accountants and board of trustees both in government and non-governmental organizations have a duty to act transparently and answer questions concerning their prepared financial statements, defend them and are subjected to sanctions when their duties and commitments are below the standards expected or rewarded for achieving or exceeding the required standards, especially when financial statements meet required Generally Accepted Accounting Principles.

Bradley (2005) confirmed that in order to review the institutions financial statements such as statement of affairs, comprehensive income statement, cash flow statements, and notes to account of the past years, and plan for new fiscal year, the institutions has to prepare and publish annual financial reports to enable the stakeholders appropriate budgets based on actual impacts of the previous years as a means to financial accountability and transparency.

Wilson (2005) Model explain financial accountability in terms of financial statements discloser that give information to users, that the activities of accounting system and financial statement

reports may be examined and verified by both internal and external actors as a mean to accountability. However, Ramarayka (2006) pointed out that organizations rely on the internal financial control system in rendering financial reports to users for decision making purposes and without clear financial reports, accountability is questionable.

According to the (World Bank report 2004) financial accountability and transparency implies trustfulness, sincere presentation of financial statements to users, it is holding those who deviate from the standards established accountable by sanctioning them. Larson, et al 1990) financial accountability begin during transactions administration and recording such transactions in books of original entry without fault omissions or errors.

According to Walter (2003) assurance that financial accountability is not opaque in nature, the following should be closely integrated during the preparation of financial statements at year end and this includes, going concern principle, consistency, realization and disclosure. According to the study carried by Brody (2001) it is the state of being accountable and having the obligation to report, defense or verify questions invoked against submitted financial reports. It is being responsible and answerable and dealing with fiscal honesty and avoidance of fraud.

Wilson (2005) Model explain financial accountability in terms of financial statements discloser that give information to users, that the activities of accounting system and financial statement reports may be examined and verified by both internal and external actors as a mean to accountability.

According to the World Bank (2004) financial accountability and transparency implies trustfulness, sincere presentation of financial statements to users, it is holding those who deviate from the standards established accountable by sanctioning them. In the words of Larson, et al. (2010) financial accountability begin during transactions administration and recording such transactions in books of original entry without fault omissions or errors.

2.3.2.1 Going Concern

Going concern is a business that functions without the threat of liquidation for the foreseeable future, usually regarded as at least within 12 months. It implies that business must have an intention to keep running its activities at least for the next year, which is a basic assumption to prepare financial statements considering the conceptual framework of the IFRS. Hence, the declaration of

going concern means that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations (William, 2011).

Going concern assumes that, a company will continue to exist long enough to carry out its objectives and commitments and will not liquidate in the foreseeable future. If the company's financial situation is such that the accountant believes the company will not be able to continue on, the accountant is required to disclose this assessment (Venuti, 2014).

The going concern principle allows the company to defer some of its prepaid expenses until future accounting periods (International Auditing and Assurance Standards Board (IAASB), 2009). The going concern assumption is a fundamental assumption in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern assumption is inappropriate in the circumstances of the entity, assets and liabilities are recorded on the basis that the entity will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business (IAASB, 2009).

An entity is assumed to be a going concern in the absence of significant information to the contrary. An example of such contrary information is an entity's inability to meet its obligations as they come due without substantial asset sales or debt restructurings. If such were not the case, an entity would essentially be acquiring assets with the intention of closing its operations and reselling the assets to another party (IAASB, 2009).

If the accountant believes that an entity may no longer be a going concern, then this brings up the issue of whether its assets are impaired, which may call for the write-down of their carrying amount to their liquidation value, and/or the recognition of liabilities that arise on account of the entity's imminent closure (which may not arise otherwise). Thus, the value of an entity that is assumed to be a going concern is higher than its breakup value, since a going concern can potentially continue to earn profits (IAASB, 2009).

The going concern concept is one of the accounting principles. However, generally accepted auditing standards (GAAS) do instruct an auditor regarding the consideration of an entity's ability to continue as a going concern (William, 2014).

2.3.2.2 Consistency

In accounting, the convention of consistency is a principle that the same management accounting principles should be used for preparing financial statements over a number of time periods (Banerjee, 2013). It enables the management to draw important conclusions regarding the working of the concern over a longer period (Mohana, 2010). It allows a comparison in the performance of different periods. If different accounting procedures and processes are used for preparing financial statements of different years then the results will not be comparable because these will be based on different postulates.

The concept of consistency does not mean that no change should be made in accounting procedures. There should always be a scope for improvement but the changes should be notified in the statements (Sweeny, 2011). The impact of changes of procedures should be clearly stated. It will enable the readers to analyze information according to new procedures. In the absence of any information regarding the change, it will be presumed that old methods have been used this time also. Whenever, consistency is not followed this fact may be fully disclosed. For example, if a change in the method of charging depreciation is made or a change is made in the method of allocating overhead expenses to different products, a foot note to the financial statements should be given indicating the extent of change (Rajasekaran and Lalitha, 2010).

2.3.2.3 Realization

The realization principle is the concept that revenue can only be recognized once the underlying goods or services associated with the revenue have been delivered or rendered, respectively. Thus, revenue can only be recognized after it has been earned. Realization pertains to recording of revenues from sales or taxes and services to customers, revenues are recognized when they are received but not when they are in suspend as well as expenses are recognized when they are spent not before expenditures are met. The realization principle is most often violated when a company

wants to accelerate the recognition of revenue, and so books revenues in advance of all related earning activities being completed (Sweeny, 2011).

2.3.2.4 Disclosure

Disclosure is the act of releasing all relevant information pertaining to a company that may influence an investment decision. To be listed on major U.S. stock exchanges, companies must follow all of the Securities and Exchange Commission's (SEC) disclosure requirements and regulations. To make investing as fair as possible for everyone, companies must disclose debts due and owned (Gupta and Sharma, 2011).

Disclosure items, as outlined by the Securities and Exchange Commission's (SEC), include things that relate to a company's financial condition, operating results, management compensation and other important areas. Disclosure requirements initially came about with the passing of the Securities Act of 1933 and the Securities Exchange Act of 1934. Since then, additional acts like the Sarbanes-Oxley Act have furthered the requirements of disclosures by a public company (Rajasekaran and Lalitha, 2010).

The need for specific disclosure requirements came about because selective disclosures used to put investors and company stakeholders at a disadvantage. For example, Insiders would use material nonpublic information for their own gain at the expense of the general investing public. Clearly outlined disclosure requirements ensure that information is adequately disseminated by a company, so everyone is on an even playing field (Gupta and Sharma, 2011).

Companies are not the only entities that are subject to strict disclosure regulations. For example, brokerage firms and analysts must also disclose any sort of information that they have that relates to investment decisions. To limit conflict of interest issues, analysts must disclose any equities that they own (Gupta and Sharma, 2011).

2.4 Empirical Studies

Hutchinson and Zain (2003) who aimed to explore the relationship between internal audit quality (audit experience and accounting qualification) and the firm performance in Malaysia. The data were collected by a mail questionnaire among public listed companies in Malaysia during the period 2003. The results showed a strong relationship between internal audit quality and firm

performance with opportunities of high growth but the finding also indicated a positive link decreased in the firm performance when the number of independence audit committee is increased to nine or ten but it is preferred that an independent audit committee be seven members for effective and efficient performance.

2.4 Gaps of the Study

There is no study that has ever been done on internal audit and financial accountability in South Sudan. This presents a geographical gap which study intended to cover.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explains the methodology used during the study which included Research design, target population, Sample size, sampling procedure, research instruments or methods, validity and reliability of research instruments, data gathering procedure, data analysis, ethical consideration matters and the limitation of the study and these methodologies were geared toward evaluating the internal audit and financial accountability of local government in state Ministry of local government.

3.1 Research Design

This study used case study and descriptive design because it is useful in observing the population or a representative subset at a specific point in time as well as allowing a large amount of data to be collected over a short period of time. The study used both quantitative and qualitative approaches. The researcher used quantitative research approach because it helps to quantify data and generalize results from a sample to the population of interest while qualitative approach was preferred by the researcher because it helps to capture non quantifiable insights of the study.

3.2 Research Population

The research target population was 162 participants from the State Ministry of Local government. The participants included: the Director General in the Ministry of Local Government, Executives directors, directors of account, Finance committee of the legislative assembly representatives, Executive council representatives, internal auditors, planning officers, procurement officers, rate collectors, book keepers, the accountants, Chief cashiers, and Controllers of accounts, it was because they are knowledgeable of internal audit and Financial accountability related matters of local Government

3.3 Population Sample Size

The sample size for this study was determined using Solven's formula. The formula is:

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

$$n = \frac{162}{1 + 162(0.05)^2}$$

$$n = \frac{162}{1 + 0.405}$$

$$n = 115$$

The sample size of this study was 115 respondents. Table 3.1 gives the summary of the findings.

Table 3.1: Target Population and Sample Size

Category of respondents	Target population	Sample size
Director General in SMOLG	1	1
Finance committee of state Legislative Assembly representatives	3	3
Executive council representatives	6	5
Directors of account	10	8
Controllers of accounts	15	10
Chief cashiers	12	8
Internal auditors	7	6
Planning officers	15	13
Procurement officers	18	15
Book keepers	15	6
Rate collectors	15	7
Payam administrations	17	17
Counties executive directors representative	17	10
Counties directors of account representative	11	7
Total	162	115

3.4 Sample Procedure

The researcher used simple random sampling to select technical staff. This was intended to make sure that every participant has equal opportunity of being included in the study. Furthermore, the researcher used purposive sampling to select the managerial staff since they are considered knowledgeable of the topic under discussion.

3.5 Research Instruments

Questionnaires

These were self-administered during data gathering and for the purpose of consistency, a precise, short and logical standard design set of questions relating to the internal audit and financial accountability were distributed to respondents of local government, who filled them with the technical assistant from me the researcher and this was successful.

The questions provided were closed ended questions, respondents were asked to provide their answers by ticking responses from the list of **5-Likert scale tables**, ranging from strongly agree, agree, disagree, strongly disagree and not sure, these were used to interpret respondents opinions.

Likert scale

#	Mean range	Response Mode	Interpretation
5	4.01-5.00	Strongly agree	Very high
4	3.26-4.00	Agree	High
3	2.51-3.25	Not Sure	Fair
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very low

$$Range = \frac{High - Low}{High}$$

$$Range = \frac{4 - 1}{4}$$

$$Range = \frac{3}{4}$$

$$Range = 0.75$$

3.6 Validity and Reliability of the instruments

3.6.1 Validity

This study notes that validity precipitates the concern of whether the findings are true and correct representation of what it purports to measure and how accurately it represents what will be happening in the situation under observation (Collins and Hussey, 2003). This contribution is incorporated in this study and forms a cornerstone of the research. In view of the above, factor analysis (Kaiser-Meiyer Okin (KMO) validity test) was performed to confirm the construct validity of the instrument. According to the accepted rule of thumb for measuring construct validity using KMO values as suggested by DeCoster (2004), value of 0.900 and above is superb, 0.800 – 0.899 is great, 0.700 – 0.799 is good, 0.600 – 0.699 is mediocre, 0.500 – 0.599 is acceptable, while below 0.500 is unacceptable. As regard the findings of this study, the validity of internal audit was 0.794 and was interpreted as Good (DeCoster, 2004), while the validity of financial accountability was 0.871 and was interpreted as Great (DeCoster, 2004). Table 3.2 gives the details of the findings.

Table 3.2: Validity of the Study Variables

Internal audit		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.794
Bartlett's Test of Sphericity	Approx. Chi-Square	1485.046
	df	190
	Sig.	.000
Financial accountability		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.871
Bartlett's Test of Sphericity	Approx. Chi-Square	1277.904
	df	105
	Sig.	.000

3.6.2 Reliability

In order to ensure that the questionnaire was reliable and can consistently produce reliable data when administered, the researcher determined its reliability by measuring the internal consistency of the instrument. This reliability analysis was conducted on a piloted survey prior to official data collection so as to ensure that the questionnaire provide reliable data for the study. This was achieved using test- retest method of measuring reliability using ten different samples in a time

interval of two weeks. The results from the two occasions were compared and were found to be consisted. Furthermore, the researcher also worked hand in hand with his supervisor and other experts in the field of Finance and Accounting to adjust the questionnaires accordingly. Lastly, the study employed Cronbach's alpha to determine the reliability of the questionnaire. The items of the questionnaire were considered to represent a measure of high internal consistency if the total alpha value was more than 0.70 (Amin, 2005). According to table 3.3, both internal audit and financial accountability had high internal consistency of more than 0.70.

Table 3.3: Reliability of the Study Variables

Internal Audit	
Cronbach's Alpha	N of Items
.794	15
Financial Accountability	
Cronbach's Alpha	N of Items
.835	15

3.7 Data Gathering procedure

An introduction letter was obtained from the College of Higher Degrees and Research of Kampala International University after the approval of the validity of the questionnaires. The researcher briefed the respondents about his intentions to carry out a study about their businesses. The researcher then asked the respondents/business owners to sign the informed consent form. The researcher asked the respondents to answer all the questions in the questionnaires. After retrieval of the questionnaires, the researcher then arranged for data analysis.

3.8 Data Analysis

Data from the field was compiled, sorted, edited and coded to have the required quality, accuracy and completeness. Then it was entered into the computer using the Statistical Package for Social Sciences (SPSS v. 22.0) for analysis. During the analysis of the data, frequencies and percentage distribution were used to analyze data on the profile of the respondents. The descriptive statistics involved the measure of central tendency (weighted mean) and measures of dispersion (standard deviation) to establish the practices of internal audit and financial accountability. Furthermore,

Pearson Correlation Coefficient and Regression Analysis were done to determine the relationship between internal audit and financial accountability.

3.9 Ethical Consideration

The researcher got authorization letter from the University before conducting any research. Furthermore, consent of the respondents was got by giving the respondents consent forms to fill in. In addition, the names or identifications of the respondents were anonymous and information collected from them was treated with utmost confidentiality. In addition to that, the researcher acted honestly, fairly and respectfully to all other stakeholders that were involved in this study. Not only that, the researcher accurately attributed to the sources of information in an effort to celebrate the works of past scholars or researchers. This ensured that no plagiarism occurred. Last but not least, the researcher worked according to generally acceptable norms of research.

3.10 Limitation of the Study

- i. Uncooperative behavior of some respondents, un-approachable respondents and those who were reluctant to give information limited the researcher in this study. However the researcher mitigated this by assuring the respondents that the study was for academic intentions only and he showed them his university identity card and university letter permitting him to carry out the research.
- ii. Furthermore, the researcher was limited by extraneous variables such as honesty of the respondents where some of them did not say the truth. The researcher mitigated this by encouraging the respondents to be truthful since the results of the study if released would help them understand better the loopholes in their internal audit practices and financial accountability.
- iii. Some respondents were not able to respond to the questionnaire in a timely manner given the insurgency in South Sudan. However, the researcher carried out constant calls and visitations to the sampled population to ensure that all questionnaires were responded to and collected.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRESENTATION

4.0 Introduction

This chapter shows the background information of the respondents, evaluation of independent, dependent variables, testing variables hypothesis and interpretation of the results in relation to the objectives of this study.

Description of the respondents

4.1 Demographic Characteristics of the Respondents

Respondents sample in this study involved males and females of different age, education level, and work experience.

Table 4.1: Profiles of the Respondents

Demographic Characteristics	Frequency	Percentage
Gender		
Male	75	65%
Female	40	35%
Total	115	100%
Age bracket		
20-29	19	17%
30-39	25	22%
40-49	30	26%
50-59	26	22
60-69	15	13%
Total	115	100%
Education level		
Masters	1	0.87%
Degree	18	16%
Diploma	41	36%
Certificate holders	38	33%
Secondary school leavers	17	15%
Total	115	100%
Work experience level		
Less than five years	30	26%
5-10 years	70	61%
15 and above	15	13%
Total	115	100

Source: Primary data 2015

The findings indicated that the majority of the respondents in the sample were males represented by 65% while females were the minority represented by 35%, and this could be attributed to the fact that women are still marginalized at the state ministry of local government and their number should be increased in new nominal role, women empowerment.

The findings of the study designated that the majority of the respondents were represented by 26% age bracket 40-49, while the minority is represented by 13% age bracket 60-69, this implies that the ministry of local government preferred active age group (40-49) and a few employees reached already their retirement age, and they should be on the pensioned fund list.

Similarly the study confirmed that the majority in the sample were represented by 36% Diploma holders and the minority represented by 0.87% masters holders, meaning that the State Ministry of Local Government preferred employing Diploma holders than Degree and Masters holders, it could be because of low payment which influenced Degree and masters holders to prefer working with Non-government organizations or other sectors where pay is high.

The findings revealed that the majority in the sample of the study were represented by 61% with work experience between five to ten years and those with fifteen and above were represented by 13%, the dominant 61% could be because the State Ministry of Local Government is phasing out those with work experience from fifteen and above, replacing them with fresh minded employees.

4. 2 The Extent Of Internal Auditing in State Ministry of Local Government Torit

Objective one of this study was to evaluate the level of internal audit system of State Ministry of Local Government Torit South Sudan; Table 4.2 gives us the summary of the findings

Internal Audit	Mean	Std. Deviation	Coefficient variation (CV)
Integrity			
Internal audit perform its work with honesty, diligence and responsibly during internal control periodic review.	4.24	1.300	30.5%
Internal audit cannot knowingly be a party to any illegal activity, or engage in acts that are dishonorable to the profession of internal auditing or to the institution.	3.12	1.351	43%
Internal audit observe the law and make disclosures expected by the law and the profession.	2.78	2.127	76.4%
Internal audit contribute to the legitimate and ethical objectives of the institution.	2.77	1.170	42.1%
Average mean	3.23	1.486	48.0%
Objectivity			
Internal audit do not participate in any activity or relationship that may impair or be presumed to impair its assessment.	3.68	1.022	27.7%
Internal audit avoid familiarity threads as this may damage its professional judgment	3.00	0.848	28%
Internal audit report to an officer of sufficient status to ensure broad audit coverage and adequate consideration of actions on the findings and recommendations as its advisory role to the system.	2.13	1.327	62%
Internal audit disclose all material facts uncovered during review in order to avoid future distortions	1.31	0.653	49.7%
Average mean	2.53	0.963	41.9%
Competency			
Internal audit continually improve its proficiency for reliability and quality of services.	3.44	1.522	44.2%
Internal audit engage only in those services for which it is mandated to do	2.49	1.127	45%
It performs internal auditing services in accordance with the Government Internal Audit Standards, incorporating the International Standards for the Professional Practice of Internal Auditing.	1.70	0.561	32.9%
Internal audit disclose all material facts uncovered during review in order to avoid future distortions	1.31	0.653	49.7%
Average mean	2.23	0.966	43.0%
Confidentiality			

Internal Audit	Mean	Std. Deviation	Coefficient variation (CV)
Integrity			
Internal audit perform its work with honesty, diligence and responsibly during internal control periodic review.	4.24	1.300	30.5%
Internal audit cannot knowingly be a party to any illegal activity, or engage in acts that are dishonorable to the profession of internal auditing or to the institution.	3.12	1.351	43%
Internal audit observe the law and make disclosures expected by the law and the profession.	2.78	2.127	76.4%
Internal audit contribute to the legitimate and ethical objectives of the institution.	2.77	1.170	42.1%
Internal audit competently determine reliability, efficiency and integrity of pecuniary reports	3.40	1.522	44.2%
Internal audit is cautious in the use and protection of information acquired in the course of duties;	2.94	1.127	45.3%
Internal audit has not used any information for self-interested gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the institution.	1.78	0.561	33.3%
Internal audit developed its own policies in regulating audit programs	1.35	0.653	49.7%
Average mean	2.37	0.966	43.2
Overall average	2.56	1.095	44.0

Source: Primary data

Likert scale

#	Mean range	Response Mode	Interpretation
5	4.01-5.00	Strongly agree	Very high
4	3.26-4.00	Agree	High
3	2.51-3.25	Not Sure	Fair
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very low

Table 4.2 indicated that integrity was fair(average mean=3.23, Std=1.486, CV=48.0%), this was attributed to the fact that the majority of the respondents agreed that Internal audit perform its work with honesty, diligence and responsibility during internal control periodic review(mean= 4.24, Std=1.300, CV=30.5%). Respondents were not sure if internal audit cannot knowingly be a party

to any illegal activity or engage in an act that could harm internal audit profession, (Mean=3.12, Std=1.351, CV=43%). In addition to, the study revealed that respondents were not also sure that Internal audit observe the law and make disclosures expected by the law and the profession (mean=2.78, Std=2.127, CV=76.4%). Respondents were not sure that internal audit contributes to the legitimate and ethical objectives of the institution (Mean=2.77, Std=1.170, CV=42.1%) This means that integrity in the internal audit system of the State Ministry of Local Government was fair and this could be due to weak internal control policies.

The study also revealed that Objectivity within internal audit system was fair (Average mean=2.53, Std=0.963, CV=41.85%), the study indicated similarly that respondents agreed that Internal audit do not participate in any activity or relationship that may impair or be presumed to impair its assessment (mean=3.68, Std= 1.022, CV=27.7%), it is further noted that respondents were not sure that Internal audit avoid familiarity threads as this may damage its professional judgment (Mean=3.00, Std=0.848, CV=28%), Respondents also disagreed that Internal audit report to an officer of sufficient status to ensure broad audit coverage and adequate consideration of actions on the findings and recommendations as its advisory role to the system (mean=2.13, Std=1.327, CV=62%). Respondents also disagreed that Internal audit disclose all material facts uncovered during review in order to avoid future distortions (mean=1.31, Std=0.653, CV=62%) this means that objectivity is low within the auditing system of local government.

The study indicated that competency within the audit system was (Average mean=2.23, Std=0.966, CV=43%) meaning that competency within the internal audit system of State Ministry of Local Government is low. The study also revealed that many respondents agreed that Internal audit continually improve its proficiency for reliability and quality of services (mean=3.44, Std=1.522, CV=44.2%). The study disagreed that Internal audit engage only in those services for which it is mandated to do (mean=2.49, Std=1.127, CV=45%) meaning that internal audit section has other commitments apart from audit work. The study also revealed that respondents strongly disagreed that internal auditing performs services in accordance with the Government Internal Audit Standards, incorporating the International Standards for the Professional Practice of Internal Auditing (Mean=1.70, Std=0.561, CV=32.9%), meaning that internal audit adopted standards are of

very low quality. The study further strongly disagreed that Internal audit discloses all material facts uncovered during review in order to avoid future distortions (Mean=1.31, std=0.653, CV=49.7) meaning that other suspected fraudulent acts are not always exposed for proper examination and this is not good to the system.

The study similarly indicated that respondents disagreed that Confidentiality was exercised by the internal audit system within the state ministry of local government (Mean=2.37, Std=0.966, CV=43.2%) meaning that financial data were always exposed even before final reports were rendered to the concern authorities. In addition to, the study agreed that

Internal audit competently determine reliability, efficiency and integrity of pecuniary reports (Mean=3.40, Std=1.522, CV=44.2%) meaning that there is good progress going on to improve the qualities of internal audit system reports in the ministry which should be encouraged.

The study also revealed that respondents were not sure whether Internal audit was cautious in the use and protection of information acquired in the course of duties (mean=2.94, Std=1.127, CV=45.3%). The study further disagreed that Internal audit has not used any information for its gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the institution. (mean=1.78, Std=0.561, CV=33.3%) meaning that internal audit had used institution financial data for its interest. The study further disagreed that Internal audit developed its own policies in regulating audit programs (Mean=1.35, Std=0.653, CV=49.7) meaning that no regulatory frame work had been developed before.

Generally, internal audit services in state ministry of local government, are fair (General Average mean=2.56, Std=1.095, CV=44.0%) this is attributed to the fact that internal audit system have low competency, confidentiality and fair integrity and objectivity in carrying its audit programs.

4.3 Financial accountability in State ministry of local government Torit South Sudan

Objective two of this study was to assess the level of financial accountability of state Ministry of local government; Eastern Equatoria, South Sudan, and table 4.3 give us the summary of the findings.

Table 4.3: Financial accountability in the state ministry of local government Torit S. Sudan

N=121

Financial Accountability	Mean	Std. Deviation	Coefficient variation (CV)
Going concern			
Assets liquidation have not been noted within the entity	2.54	1.512	59.5%
Safeguarding funds, assets against manipulations, fraud and to detect fraud and minimizes losses stemming from neglect, abuses have been confidentially practiced.	2.52	1.523	59.9%
Liabilities owned by the entity have been cleared at maturity	2.44	1.518	60%
Financial statements preparation observed going concern	2.01	0.1000	49.5%
Average mean	2.50	1.388	57.1%
Consistency			
All necessary adjustments such as prepayments, accruals, balances brought forward have been observed consistently and transparently	2.33	1.1139	47.7%
Accounting books of original entry for documentation transactions and integrating bank balances have been stable	2.04	0.986	48.2%
Financial statement grounding as scheduled has been consistent	2.02	0.982	48.6%
Methods for depreciation of assets and stocking taking observed consistency	2.01	0.969	48.2%
Average mean	2.1	1.013	48.2%
Realization			
Donations and grants from donors have been recognized when received and reported when spent	2.50	1.570	62.8%
Reporting financial declarations as programmed has been consistently	2.34	1.123	48.0%
Capital and operational fund transfers from the central government have been obviously acknowledged when received and expenditures detailed	2.29	1.114	48.7%
Revenues from taxes have been always recorded when received and expenditures accounted when spent	2.29	1.114	48.7%
Average mean	2.35	1.230	51%
Disclosure			
Capital and operation fund transfers from central government and revenues from taxes have been as a rule disclosed	2.10	1.483	70.4%
Debtors, prepayments, stocks, bank, cash, current liabilities, accruals, long term liabilities and tangible assets have been unveiled visibly in monetary announcement	2.10	1.483	70.4%
Prepared fiscal statements have been normally revealed to internal auditors without any reservations	2.09	1.466	70.2%

All expenditures have been divulged in the financial proclamation and in the explanatory notes	2.07	1.461	70.6%
Average mean	2.09	1.473	70%
Overall average total	2.24	1.276	56.5%

Likert scale

#	Mean range	Response Mode	Interpretation
5	4.01-5.00	Strongly agree	Very high
4	3.26-4.00	Agree	High
3	2.51-3.25	Not Sure	Fair
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very low

Table 4.3 revealed that adoption of going concern concept in determining the level of financial accountability of local government was fair (Average mean=2.50, Std=1.388, CV=57.1%) and it was attributed to the fact that majority of the respondents were not sure whether Assets liquidation have not been noted within an entity in the past (mean=2.54,Std=1.52,CV=59.5%)

The respondents were not sure whether Safeguarding funds, assets against manipulations, fraud and to minimizes losses stemming from neglect, abuses have been confidentially practiced(mean=2.52,Std=1.523,CV=59.9%) meaning that safeguarding of funds, and assets was fair. The study also indicated that respondents disagreed that Liabilities owned by the entity have been cleared at maturity (Mean=2.44,Std=1.518,CV=60%) meaning that payment of debts owned was low.

The study also revealed that respondents disagreed that Financial statements preparation observed going concern (mean=2.01, Std=0.1000, CV=49.5%) meaning that there was low level of incorporating international accounting standards in the preparation of financial statements.

The study indicated that there was low level of consistency in the used of accounting recommended methods(Average mean=2.1,Std=1.013,CV=48.2%) this pointed out the fact that the majority of the respondents disagreed that all necessary adjustments such as prepayments, accruals, balances

brought forward have not been observed consistently and transparently(mean=2.33,Std=1.119,CV=47.7%) and the respondents further were not sure that Accounting books of original entry for documentation transactions and integrating bank balances were regularly used(mean=2.94, Std=0.986,CV=48.2%).The study similarly pointed out that respondents disagreed that Financial statement grounding as scheduled has been consistent (Mean=2.02,Std=0.982,CV=48.6%).The study also revealed that respondents disagreed thatMethods for depreciation of assets and inventory taking observed consistency (mean=2.01,Std=0.969,CV=48.2%)

The study disagreed that realization concept was used in accounting revenues and expenditures (Average mean=2.35,Std=1.230,CV=51%). This was to the fact that respondents disagreed that

Donations and grants from donors have been recognized when received and reported when spent (Mean=2.50,Std=1.570,CV=62.8%). The study also indicated that respondents disagreed that Reporting financial declarations as programmed has been consistently (mean=2.34,Std=1.123,CV=48.0%).The study further revealed that respondents disagreed that Capital and operational fund transfers from the central government have been obviously acknowledged when received and expenditures detailed(Mean=2.29,Std=1.114,CV=48.7%). The respondents also disagreed that Revenues from taxes have been always recorded when received and expenditures accounted when spent (mean=2.29,Std=1.114,CV=48.7%).

The study indicated that disclosure of capital and revenues was low(Average mean=2.09,Std=1.473.CV=70%) and pointed out that the majority of respondents disagreed that Capital and operation fund transfers from central government and revenues from taxes have been usually disclosed as a rule (Mean=2.01,Std=1.483,CV=70.4%). The study also revealed that respondents disagreed that Debtors, prepayments, stocks, bank, cash, current liabilities, accruals, long term liabilities and tangible assets have been unveiled visibly in monetary announcement(mean=2.10,Std=1.483,CV=70.4%) The study indicated further that respondents disagreed that prepared fiscal statements have been normally revealed to internal auditors without any reservations (mean=2.09,Std=1.466,CV=70.2%).The respondent also disagreed that all expenditures have been divulged in the financial proclamation and in the explanatory notes(mean=2.07,Std=1.461,CV=70.60) meaning that financial accountability was low.

Generally, financial accountability has been low as per the general Average mean (General average Mean=2.24,Std=1.276,CV=56.5%) and this was attributed to the fact that the level of consistency, realization and disclosure were low resulting to low level of financial accountability at the state ministry of local government, eastern Equatoria, South Sudan.

4.4 The Relationship between Internal Audit and Financial Accountability in State Ministry of Local Government, Torit South Sudan

Objective three of this study was to determine if there is significant level of relationship between Internal Audit and Financial Accountability of Local Government, Table 4.4 gives us the summary of the findings.

Table 4.4: The Relationship between Internal Audit and Financial Accountability in State Ministry of local government Torit South Sudan

Variable	Pearson correlation	Level of Significance	Interpretation	Decision on Ho
Internal Audit Vs Financial Accountability	0.677	0.019	Significant relationship	Rejected

** Level of significance (0.05)*

Table 4.4 revealed that there is a significant relationship between Internal Audit and Financial Accountability of Local Government in state ministry of local Government, ($r=0.677$, $p<0.05$). This mean that improving internal audit system will promote financial accountability at the state ministry of local government and reverse is real.

Table 4.5: Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.677	.458	.431	.19498	.677	1.163	1	14	.019
Model			Unstandardized Coefficients		Standardized Coefficients		T		Sig.
			B	Std. Error	Beta				
1	(Constant)		2.351	.660			3.561	.014	
	integrity		.561	.329	.375		.204	.048	
	competency		.285	.284	.354		.124	.003	
	confidentiality		.200	.327	.189		.311	.021	

a. Dependent Variable: financial accountability

Table 4.5 indicated that internal audit is responsible for 43.1% variance in the level of Financial Accountability in the state ministry of local government (adjusted R Square =.431).

In addition to, the study pointed out that a unit change in integrity is responsible for 37.5% variance in the level of financial accountability (Beta=.375).while a unit change in competency is responsible for 35.4% variance in financial accountability at the state ministry of local government (Beta=.354) and finally a unit change in confidentiality is responsible for 18.9% variance in the level of financial accountability in state ministry of local government (Beta=.189).

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the findings, conclusions and the recommendations following the study objectives, the pertinent hypothesis and areas for further research suggested.

5.2 Findings

The study was to investigate the following study objectives set, and one was to evaluate the level of Internal Audit system at the state ministry of local government, the second objective was to assess the level of Financial Accountability of local government, and the third objective was to determine the significance level of relationship between Internal Audit and Financial Accountability of Local Government.

Data analysis using social package for social science (SPSS) descriptive statistics showing means, standard deviations and Coefficient Variation revealed the findings for objective one in (Table 4.2) that the level of internal audit services in the state ministry of local government, are fair (General Average mean=2.56, Std=1.095, CV=44.0%) this is attributed to the fact that internal audit system have low competency level (Average mean=2.23, Std=0.966, CV=43%) but confidentiality level was fair with (Average mean=2.56, Std=1.095, CV=44%) the level for integrity was also fair with (Average mean=3.23, Std=1.486, CV=48%) as well as objectivity with (Average mean=2.53, Std=0.963, CV=41.9%) in carrying its audit programs.

The same SPSS was also used and it indicated the findings in Table 4.3 for objective two that the level of Financial accountability has been low as per the general Average mean (General average Mean=2.24, Std=1.276, CV=56.5%) and this was attributed to the fact that the level of Going concern with low (Average mean=2.50, Std=1.388, CV=57.1%) and consistency was also low with (Average mean=2.1, Std=1.013, CV=48.2%). Realization level was also low with (Average mean=2.35, Std=1.230, CV=51%) as well as disclosure level which was also low with (Average mean=2.09, Std=1.473, CV=70%) resulting to low level of financial accountability at the state ministry of local government Torit South Sudan.

In objective three, SPSS was also used and Pearson Linear Correlation Coefficient revealed in (Table 4.4) that there is a significant relationship between Internal Audit and Financial Accountability of Local Government in state ministry of local Government, ($r=0.277^*$, $p=0.001$).this mean that improving internal audit system will promote financial accountability at the state ministry of local government and reverse is real.

Regression model was also used and revealed to us in (Table 4.5) that internal audit is responsible for 43.1% variance in the level of Financial Accountability in the state ministry of local government (adjusted R Square =431) This implies that Internal audit accounts for more than 43.1% variation in the level of financial accountability strength in the state ministry of local, and that internal audit should be taken critically into consideration.

In addition to, the study pointed out that a unit change in integrity is responsible for 37.5% variance in the level of financial accountability ($Beta=0.375$).while a unit change in competency is responsible for 35.4% variance in financial accountability at the state ministry of local government($Beta=0.354$) and finally a unit change in confidentiality is responsible for 18.9% variance in the level of financial accountability of local government at the state ministry of local government($Beta=0.189$.)

5.3 Conclusions

This section concludes the study findings in relation to the objectives.

In objective one the findings were that internal audit influence financial accountability positively, and it is concluded that, Fair level of integrity, confidentiality and objectivity within Internal Audit Department in the State Ministry of Local Government yield fair financial accountability results.

In objective two of this study, it was revealed that low level of going concern, Realization, consistency, and disclosure yield low level of financial accountability results at the state ministry of local government.

In objective three it was also found that there is a significant relationship between Internal Audit and Financial Accountability of Local government ($r=0.277^*$, $p=0.001$).this mean that improving internal audit system will promote financial accountability at the state ministry of local government and reverse is real.

In addition to, regression model pointed out that a unit change in integrity is responsible for 37.5% variance in the level of financial accountability ($\text{Beta}=0.375$).while a unit change in competency is responsible for 35.4% variance in financial accountability at the state ministry of local government($\text{Beta}=0.354$) and finally a unit change in confidentiality is responsible for 18.9% variance in the level of financial accountability of local government at the state ministry of local government($\text{Beta}=0.189$) meaning that, integrity, competency and confidentiality levels within the audit department are very importance.

5.4 Recommendations

This section deals with recommendations arising from the relevant findings and conclusions of this study. Following the objectives and hypothesis,

The State ministry of Local need to strength integrity, confidentiality, objectivity and competency of internal audit department for the best financial accountability results in the near future.

The state ministry of local government should be able to strengthen the importance of going concern concept, realization, consistency and disclosure principles because these are key elements in determine the quality of financial accountability with in an entity.

Basing on significant relationship between Internal Audit and Financial Accountability, the state Ministry of local government should strengthen regulatory frame work for internal audit department for quality financial accountability outcome in the near future.

5.5 Areas for Further Research

The following areas could be research in future by researchers:-

- i) Internal Audit quality (Audit experience, qualifications) and the firm performance ability.
- ii) Internal governance structure, comprising board of directors, Internal Audit committee and the selection of external Auditors.

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Appendices

Appendix I: Questionnaire

Oswaha Rex Ben Masters's questionnaire.

Dear Sir/Madam,

Please let me introduce myself to you that I am **Oswaha Rex Ben**, a finalist student at the College of Higher Degrees and Research, Kampala International University pursuing Masters of Business Administration majoring in (Finance & Accounting) and I am conducting approved Academic research topic which is one of the University requirements for the study program and the topic reads, (Internal audit and Financial Accountability of Local Government at State Ministry of Local Government, Eastern Equatoria State, South Sudan.

This research is an academic document that has nothing to do with anything outside this purpose in any way, and information provided will be treated ethically and with high confidentiality.

Kindly provide your own answers to these research questions and start with your age, gender, Education level and the title in the place of work in section A.

Section A (provide a tick where your choice fall)

Respondent information

Title _____

✓ Please tick where you fall

Gender, Male () Female ()

Age Bracket Education level

- | | |
|-----------------|---------------------|
| a) 20-29 () | a) Secondary () |
| b) 30-39 () | (b) certificate () |
| c) 40-49 () | c) Diploma () |
| d) 50-59 () | d) Degree () |
| e) 60-above () | c) Masters () |
| | e) PHD () |

Work experience

a) Less than five years ()

b) 5-10 years ()

c) 15-above ()

Questions rating system for answers

Respond mode	Description	Interpretation	Scores
Strongly agree (SA)	You agree with no doubt at all	Very satisfactory	5
Agree (A)	You agree with some doubt	satisfactory	4
Agree nor Disagree (N)	You are in the middle	Fair	3
Disagree (D)	You disagree with some doubt	Low	2
Strongly Disagree (SD)	You disagree with no doubt at all	Very low	1

Likert scale

#	Mean range	Response Mode	Interpretation
5	4.01-5.00	Strongly agree	Very high
4	3.26-4.00	Agree	High
3	2.51-3.25	Not Sure	Fair
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very low

Section (B) Variable measurement

Internal Auditing

Instruction: As honestly as you can, indicate the level of internal auditing in form of A Tick (√)

A	Integrity	1	2	3	4	5
IT1.	Internal audit perform its work with honesty, diligence and responsibly during internal control periodic review.					
IT2.	Internal audit observe the law and make disclosures expected by the law and the profession.					
IT3.	Internal audit cannot knowingly be a party to any illegal activity, or engage in acts that are dishonorable to the profession of internal auditing or to the institution.					
IT4.	Internal audit contribute to the legitimate and ethical objectives of the institution.					
B	Objectivity	1	2	3	4	5
OB1	Internal audit do not participate in any activity or relationship that may impair or be presumed to impair its assessment.					

OB2	Internal audit report to an officer of sufficient status to ensure broad audit coverage and adequate consideration of actions on the findings and recommendations as its advisory role to the system.					
OB3	Internal audit avoid familiarity threads as this may damage its professional judgment					
OB4	Internal audit disclose all material facts uncovered during review in order to avoid future distortions					
C	Competence	1	2	3	4	5
CO1	Internal audit engage only in those services for which it is mandated to do					
CO2	It performs internal auditing services in accordance with the Government Internal Audit Standards, incorporating the International Standards for the Professional Practice of Internal Auditing.					
CO3	Internal audit continually improve its proficiency for reliability and quality of services.					
CO4	Internal audit competently determine reliability, efficiency and integrity of pecuniary reports					
D	Confidentiality	1	2	3	4	5
CF1	Internal audit is cautious in the use and protection of information acquired in the course of duties;					
CF2	Internal audit has not used any information for self-interested gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the institution.					
CF3	Safeguarding funds, assets against manipulations, fraud and to detect fraud and minimizes losses stemming from neglect, abuses have been confidentially practiced.					

Financial Accountability

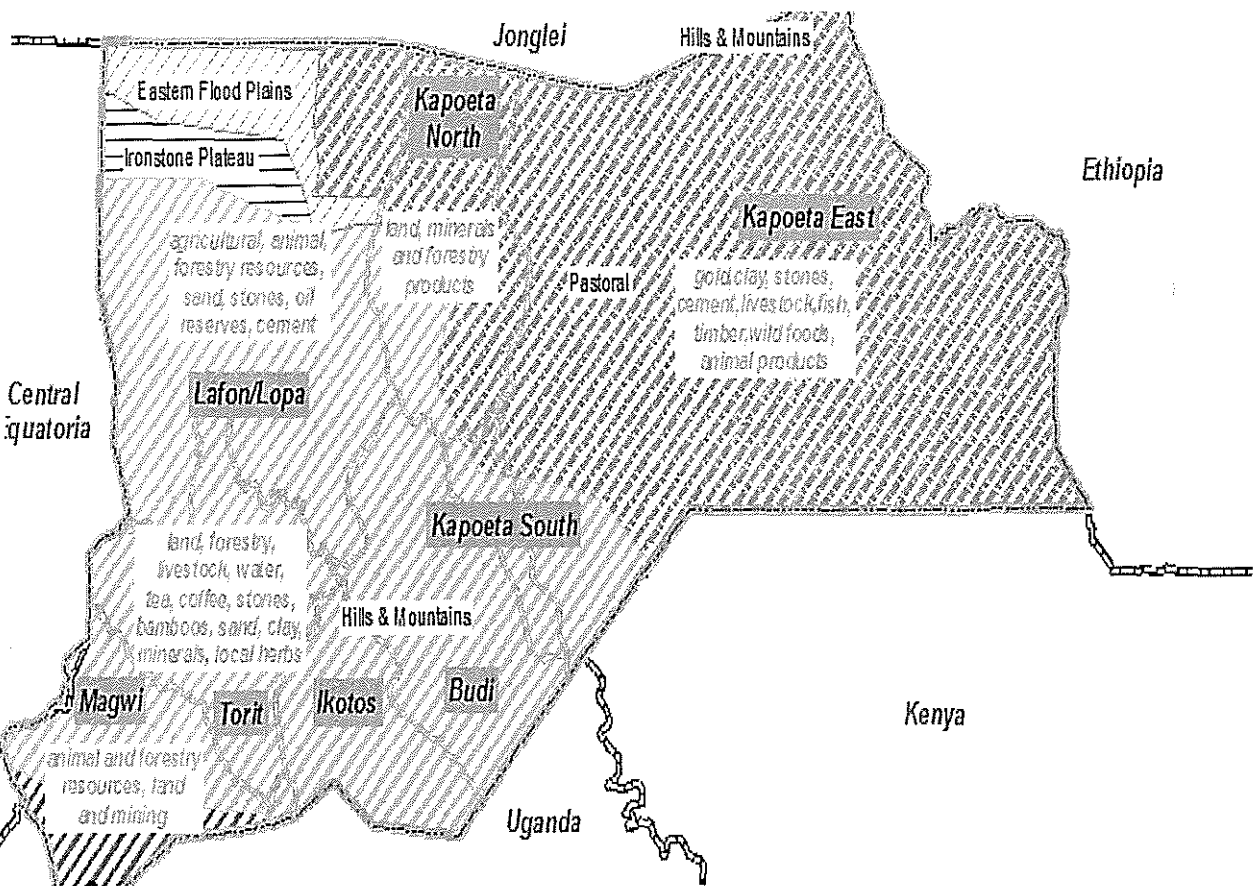
A	Going concern	1	2	3	4	5
GO1	Assets liquidation have not been noted within the entity					
GO2	Liabilities owned by the entity have been cleared at maturity					
GO3	Financial statements preparation observed going concern					
GO4	Accounting books of original entry for documentation transactions and integrating bank balances have been stable					
B	Consistency	1	2	3	4	5
CT1	Methods for depreciation of assets and stocking taking observed consistency					
CT2	Financial statement grounding as scheduled has been consistent					
CT3	All necessary adjustments such as prepayments, accruals, balances brought forward have been observed consistently and transparently					
CT4	Reporting financial declarations as programmed has been consistently					
C	Realization	1	2	3	4	5
RE1	Revenues from taxes have been always recorded when received and expenditures accounted when spent					
RE2	Capital and operational fund transfers from the central government have been obviously acknowledged when received and expenditures detailed					

RE3	Donations and grants from donors have been recognized when received and reported when spent					
D	Disclosure	1	2	3	4	5
DC1	All expenditures have been divulged in the financial proclamation and in the explanatory notes					
DC2	Prepared fiscal statements have been normally revealed to internal auditors without any reservations					
DC3	Debtors, prepayments, stocks, bank, cash, current liabilities, accruals, long term liabilities and tangible assets have been unveiled visibly in monetary announcement					
DC4	Capital and operation fund transfers from central government and revenues from taxes have been as a rule disclosed					

Thank you in advance

Oswaha Rex Ben

Appendix II: Map of Eastern Equatoria State showing Counties locations



Appendix III: THESIS TIME FRAME

Activity	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015
1. Conceptual phase													
Chapter one													
2. Designing & Planning Phase													
Chapter two-three													
3. Thesis proposal													
4. Empirical Phase													
Data collection													
5. Analytical Phase													
Chapter four –five													
6. Dissemination Phase													
Viva voce													
7. Revision													
8. Final Book bound copy													
9. Clearance													
10. Graduation													

APPENDIX IV: PROJECT REPORT BUDGET

/N	BUDJECT LINES	ITEM TYPE	Unit cost	TOTAL COST
	Stationery	2 ream of papers	UGX15,000	30,000
		20 pieces of big pens	500	4000
		1 file	2500	2500
	Project proposal work	Typing and printing (45 pages)	500	225000
		Binding cost(five copies)	5000	25000
	Project report questionnaires and interview design	Typing and printing (3pages)	500	1500
	Transport	Kampala to Torit, (South-Sudan) (3trips) to and from.	80,000	240,000
		Visa fees(US\$ 100)		255000
	Project report work	Typing and printing (estimated 80 pages)	500	42,000
		Binding using hard cover(5copies)	7000	35,000
	Telephone and Internet	Internet browsing/ Google web search to research data per day	5000	60,000
		Telephone airtime (35 days)	5000	175,000
7	Miscellaneous expenses	Unexpected expenses	186,550	186550
	Total cost UGX			1,500,550