

**THE ROLE OF INTERNAL AUDIT ON FINANCIAL MANAGEMENT OF PUBLIC
INSTITUTIONS IN UGANDA
A CASE STUDY: BUSIA DISTRICT LOCAL GOVERNMENT**

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DEDICATION

This is dedicated to the Almighty God and my family for their support and my friends whom we have been supervised together and in the academic struggle.

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ABSTRACT

The study examined the role of internal audit on financial management of public institutions a case study of Busia District Local Government. It was guided by the following objectives that's; to examine the effect of audit planning on the financial management of public institutions in Uganda, to examine the effect of audit control system on the financial management of public institutions in Uganda and finally to examine the effect of audit compliance on the financial of public institutions in Uganda.

The research methodology adopted both descriptive and analytical research design based on semi-structured questionnaires to obtain the in-depth understanding of internal audit on financial management. Sample size of 152 respondents was randomly selected based on easy of access to them. The researcher used basically self-administered questionnaires as the instrument for data collection. Data was collected from both primary with the help of questionnaires designed using like scales and secondary data got from textbooks, internet, journals and newspaper articles.

The study established a positive relationship between audit compliance and financial management as being ($r = 0.522, p < 0.01$), audit control system and financial management had a positive relationship of ($r = 0.480, p < 0.01$) and audit planning and financial management had a significant relationship of ($r = 0.503, p < 0.01$). The study concluded that there was greater variation in financial management activities of Busia District local government due to changes in internal audit planning, professional competency and internal audit control systems; this shows that changes in financial management of Busia District local government could be accounted for by changes in regard to audit planning, audit control system and audit compliance.

Therefore the study further recommended that there is need for the internal auditors to continuously update themselves with the changing times and technologies and sharpen their skills. By applying skills to the most critical points, building personal and professional credibility and recognizing as well as responding to the needs, internal auditors can become indispensable thus speeding good governance and enhancing efficiency of internal audit within Busia District Local Government.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Internal audit of public institutions is regarded as the key element in the application of accounting systems which in turn, helps in evaluating the work of the department. Internal audit is considered as the backbone of the business accounting as it is the section that records all businesses related to the sector (Al Matarneh 2011). The efficiency of internal audit helps develop the work of the organization because the financial reports reflect the internal audit department's quality. In other words, an internal audit is a significant part of an organization that encompasses oversight activities taken by the board of directors and audit committees to make sure that the financial reporting process is credible (Public Oversight Board 1994).

Local governments are the closest tier of government to the people and are important for the development of society. Local governments are recognized as structures through which leadership delivers on its mandate for community and social development (Schoburgh 2012). Local governments serve to ease the conduct of government activities and ensure adequate representation of communities by reducing emphasis on central government. An estimated 75 percent of the Uganda's population of 34 million lives in rural areas (World Bank 2014). This indeed saddles the local government with an enormous task of ensuring resources are judiciously managed to maximize value for the citizens. In Uganda, Busia local government occupy the third tier of government established for speedy development of communities through providing essential services that other tiers of government may not undertake effectively (Lawal & Oladunjoye 2010). Local governments provide services such as

sanitation, education, community health care, security and other basic amenities that impact the lives of the community.

Financial management and corporate strategy of an organization is underpinned by effective internal systems in which the internal audit has an important role in raising the reliability of the internal control system, improving the process of risk management and above all, satisfying the needs of internal users. The internal audit support enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders (Eighme & Cashell 2002). Additionally, internal audit department provides a reliable, objective, and neutral service to the management, board of directors, and audit committee, while stakeholders are interested in return on investments, sustainable growth, strong leadership, and reliable reporting on the financial performance and business practices of a an organization (Jovanovi 2011).

(Reinstein, et al, 2001) concludes that internal audit quality includes planning, compliance, competence, independence, quality of work, training and development, and management support for internal audit. These quality dimensions include specific characteristics the external auditor seeks in placing a reliance on the work of the internal auditor .Therefore the study focuses on the role of internal audit on financial management of public institutions in Uganda, a case study of Busia District local government.

1.1 Background to the study

Globally, every country that is administered in a democratic policy needs to be accountable in its use of public money and in providing effective, efficient and economical service delivery. To achieve those government objectives applying internal audit function were the major mechanism for controlling and using of all scarce resources available in the corporate

organization. Ever more larger and complex systems require greater competitiveness, thus internal audit has had to become ever more professional (Cecilia Nordin Van Gansberghe 2003).

In developing countries internal audit profession brings change in the scope and functions of internal audit customers. Previously internal auditors in Busia local government were seen just as an assistant of accountant's and an external auditor but recently internal audit is certainly is considered an independent profession, which is playing a significant role in the management of organizations. Besides, independent of internal auditors have always been a sensitive issue while he/she is the employees of the organization, above all, not clearly organized structure or reporting line make the problem more complicated in such offices (RolandasRupsye 2005).

Busia local government considers Public sector offices as part of the public body which is partly or wholly financed by government budget and concerned with providing basic government services to the whole society (Ministry of Finance and Economic Development (MoFED 2004). The compositions of the public sectors are varied by their function and purposes, but in most cases, they are designed in order to enable the public sectors to achieve their goals.

The public sector provide services such as banking service, financing, education, communication service, healthcare, police, transportation, electric services, security and so on, which benefit all of the society and encourage equal opportunity to benefit from those services provided (Mihret and Yismaw 2007). In regard to Busia local government mostly, the efficiency and effectiveness of the management operations in public sector are ensured by the effectiveness of its employees, in order to enhance high quality of public services, achieve good internal control system, avoid corruption, ensure good corporate governance system,

promote accountability and greater transparency (Coram et al, 2008; Van Peursesem 2005; Belay, 2007).

Therefore, it is important to have effective internal audit unit as part of modern governance system in public sector offices (Cohen and Sayag, 2010). In corporate governance internal audit (IA) issue has received increasing attention in recent years, due to different reasons. For example internal audit links to the internal control-risk management system; improve organizational efficiency and effectiveness through providing constructive criticism and recommendations about organizations status; reduce information asymmetry during decision making; serves as an important internal assurance in the business and financial reporting process of corporations (Soh and Bennie 2011)

Additionally, in the accounting profession, audits play an important role in serving the public interest by increasing the accountability of managers and reinforcing trust and confidence in financial reporting process and they serve as an important link in the business and financial reporting process of corporations and not for profit providers at organizational level (Reynolds 2009). In other words, internal audit identifies weak links in the system as well as creates potential opportunities for improvement and act as a feedback mechanism for the top management. Hence, most local governments seek a suitable and effective quality management system need to conduct internal audits in order to ensure that the system functions as intended (Lindow and Race 2002).

According to Institute of Internal Audit's (IIA 2001), noted that board of directors defined internal audit as: an independent, objective assurance and consulting activity designed to add and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. For example, internal

auditing is involved in consulting activities, and value added contributions for the evaluation and improvement of the effectiveness of risk management and governance process (IIA 2001). This shows the roles of internal auditing is moving away from the narrow scope of measuring and evaluating the effectiveness of internal controls towards a broader scope of activities that creates opportunities for the internal auditing profession and to receive more attention in corporate governances (Mihret and Yismaw, 2007).

Even though, the internal auditors have many roles and contributions to the organization and the public interest, it also faces many challenges from the organization they work. Some of the challenges identified by the Ministry of Finance and Economic Development (2004), in their internal audit manual are lack of management respect, lack of independence, assigned of internal auditors to many tasks and being ignored (conflict of interest) and lack of professional development.

In Africa, Mihret and Yismaw, (2007) in their case study on Ethiopian public Universities, they argue that internal audit recommendations are not afforded enough management attention and support which adversely affect the effectiveness of internal audit. Moreover, lack of mechanisms in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF performance, and lack of competent personnel are also some challenges of internal auditors (Mihret and Yismaw 2007).

The internal audit function has been acknowledged as a value-adding function to an organization because of its unique role in governance, control, and risk management (Soh&Martinov-Bennie 2011). Specifically, the internal audit functions has been acknowledged to reduce risks, improve control risks, minimize external monitoring cost,

minimize earnings management, moderate fraud risks, reduce opportunistic behaviours and perform other non-financial statement related task within an organization (Ege, 2015; Prawitt, Smith, & Wood 2009).

(Lapointe 2008) concludes that the quality of the internal audit is capable of ensuring sound governance and accountability in the public sector .Internal audit, working under the right conditions and supported by top management who is committed, can help the local government achieve goals that impact the lives of communities.

1.1.1 Background to the case study

Busia was originally part of Tororo District. It was first elevated to full district status in 1976 but its status was later lowered to a sub district in 1979 after the fall of the late president Idi Amin. With the promulgation of the Uganda constitution of 1995, the power to create districts was vested in parliament. So on Thursday, 20th March 1997, parliament passed the legislation creating six new districts to exist with effect from 1st July 1997. Busia district was one of them resulting into the joys by the people of Busia for the birth of their district. (Constitution of the Republic of Uganda).

In Uganda, the Local Government Act 1997 legalizes the existence of the Internal Audit function. Every district, city, municipality or town council is expected to have internal audit unit. Despite all districts putting in place this department, the incidence of fraud and irregularities in the management of public finances is still very high in almost all local authorities in Uganda including Busia district.

In 1992, Uganda adopted a decentralization policy that sought to establish a system of governance underpinned by strong local governments. Subsequent constitutional and legal reforms established districts and sub-counties as key pillars of local governments through which effective service delivery and local governance is to be attained. The paradigm is

enshrined in the Constitution of the Republic of Uganda (1995) and the Local Governments Act, 1997.

One of the challenges facing local Governments in Uganda is to achieve proper management of public funds. The proper management of public funds is always associated with the proper application of Generally Accepted Accounting Principles and other guidelines such as the Local Governments Financial and Accounting Manual and Local Governments Financial and Accounting Regulations 2007 however the internal audit function has received increasing attention as an important component of government financial management and a tool for improving the performance of the government sector. Auditing covers a broad range of activities which have different objectives. Traditionally it has been a mechanism for assuring the government or its ministries that public funds are received and spent in compliance with appropriations and other relevant laws and that the government's reported use of funds fairly and accurately represents its financial position.

Over the years, the Ugandan government has sought to improve the functioning of local governments through regular monitoring and inspection processes. However, these processes have not adequately focused on the local government councils, as the mandated executive and legislative organs of the local governments. Ideally in area of finances, the internal audit is brought in place to help the Management at the grass root to be able to ably monitor and ensure the government grants and other revenues to the District are correctly utilized.

1.2 Statement of the problem

Internal Auditing skills have become crucial in untangling the complicated accounting maneuvers that have obfuscated financial statements. In other words, public demand for change and subsequent regulatory action has transformed corporate governance. Increasingly, company officers and directors are under ethical and legal scrutiny Chepkorir (2010). Both

trends have the common goal of responsibly addressing investors' concerns about the financial reporting system. However there has been laxity in implementation of internal audit findings and recommendations.

Busia local government as a segment of public sector is entrusted with public resources and charged with the task of ensuring their proper utilization. To optimize the utilization of resources entrusted to the officials, laws and regulations are enacted to control expenditures and sources of financing these expenditures Ruto (2011). To ensure adherence to financial regulations, laid down procedures, policies and plans, internal audit units are established. According to the Institute of Internal Auditors (2007), the internal audit unit is expected to review the means of safeguarding assets and where appropriate, verify the existence of such assets.

However, Musili (2012) noted that there is continued poor financial management, incidences of fraud, the budgets not being properly followed; the local revenue base of local governments diminishing substantially, rendering them heavily dependent on central government disbursements, mainly through conditional grants. The quality of service provision is less than desirable, as well, with key services such as health care, water, sanitation, education, and access to agricultural advisory services remaining dismal. This is all attributed to financial management loopholes within the local government despite the government watchdog internal audit unit being instituted in various local governments with internal control in place as illustrated by Agung (2011). On the basis of the above, the researcher is going to take a study on the extent to which internal audit function contributes to effective financial management in local governments.

1.3.0 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to examine the role of internal audit on the financial management of public institutions in Uganda.

1.3.2 Specific Objectives

- i. To examine the effect of audit planning on the financial management of public institutions in Uganda
- ii. To examine the effect of audit system control on the financial management of public institutions in Uganda
- iii. To examine the effect of audit compliance on the financial of public institutions in Uganda

1.4 Research Questions

The following research questions were guided by the study to achieve the stated objectives:

- i. What is the effect of audit planning on the financial management of public institutions in Uganda?
- ii. What is the effect of audit control system on the financial management of public institutions in Uganda?
- iii. What is the effect of audit compliance on the financial management of public institutions in Uganda?

1.5 Scope of the study

Content scope

The researcher focused on assessing the role of internal audit on the financial management of public institutions in Uganda. The study also focused on audit planning, audit control system and audit compliance as independent variable. The study also considered budget decision, revenue collection and accountability as indicators of dependent variables and finally, government policies and procedures, audit manual 2007, environmental factors as indicators of independent variables

1.5.2 Geographical scope

The study area is Busia District Local government. The study covered the views of Busia District Local Government management and staff, politicians and other respondents who benefit directly from the District. Busia district is located in the eastern region of Uganda bordering the Republic of Kenya in the East, Tororo district in the North, Namaingo district in the south west and Bugiri district to the west

1.5.3 Time scope

The study was confined for the period between 2012 up to 2015. This period was enough for the researcher to find out how role of internal audit on financial management of public institutions in Uganda.

1.6 Significance of the Study

The internal auditors have a significant impact to control any non-compliance activity in line with the established policies, plans, procedures, laws and regulations, set by the government which could have a significant impact on the organization's operations. The internal auditors are also essential to add or create value to the organizations, to avoid failure and to save the

operating and administration costs in accordance with the organization's policies and procedures.

The study findings may also be of practical significance to both academicians and general practitioners by providing a better insight into the understanding of the role of internal audit on financial management. The findings may also add to the pool of knowledge on the shelves of university libraries and act as a ground for further research in the same areas.

The study findings may help employees to be in better position to adhere to internal audit policies and procedures to avoid fraud, defaults and job negligence that result into incurring losses in all the District resource departments so as to improve performance.

The findings may help stakeholders of Busia local government to be more responsible and comply in formulating appropriate internal audit function that will help in enhancing better financial management.

1.7 Justification of the study

The study highlighted the significant of what audit planning, audit control system and audit compliance is and how it can be used by organizations; however this understanding is very important since many organizations are not aware of the role of internal audit on financial management of public institutions. The findings of the study will explain how best auditors can recovery fraud in order to influence the performance of local council government financial management in Uganda.

In general terms, this study is expected to increase our knowledge on the role of internal audit on financial management of public institution in Uganda. In addition, the research will help to suggest alternatives to improve the operation of financial institutions in Uganda.

The study will also bring to the fore extent of audit compliance on the financial management, and the result of submitting better accountability on the public institutions expenditures in relation to goods and services.

It is also expected to throw light on the weaknesses in the process of carrying out audit practices adopted by the local governments to guide policy markers.

1.8 Definition of key terms

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations (Bariff 2003).

Adams (2004) and (Mainoma 2007) defined financial management as the steps taken to ensure maximum safe custody of financial resources in order to avoid waste, misuse, embezzlement, misappropriation or illegal disposal of public finance. Government enforces financial control through the use of such instruments like financial and accounting regulations, accounting manual and public finance management Act 2015

Oshisami (1993) defines internal control system as the “managerial functions of defining and allocating responsibilities and identifying line of reporting that encompass all aspects of operations for the attainment of corporate objectives of an organization.

Performance budgeting is an integrated annual performance plan and annual budgeting that shows the relationship between programme funding levels and expected results(Kydland& Prescott 1977).

A compliance audit is a comprehensive review of an organization's adherence to regulatory guidelines. Independent accounting, security or IT consultants evaluate the strength and

thoroughness of compliance preparations. Auditors review security polices, user access controls and risk management procedures over the course of a compliance audit.

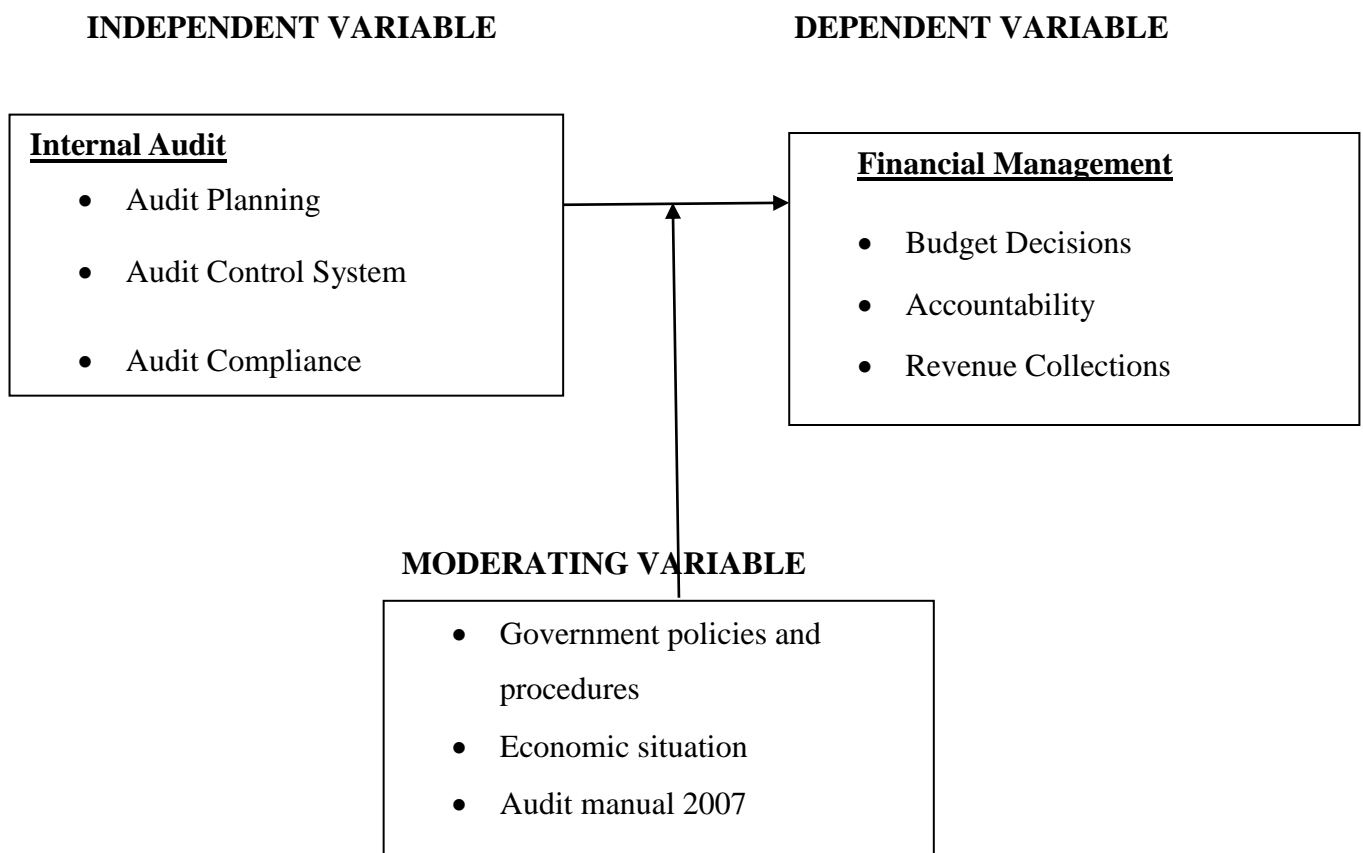
Audit planning means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit

Financial Accountability means keeping citizens informed about the organizations financial position, financial performance, service effort and accomplishment.

1.9 Conceptual Framework

The conceptual frame work was guided by Internal Audit as the independent variable and financial management as the dependent variable illustrated as below;

Figure 1 showing conceptual frame work



Source: Washington D.C., (2006) as modified by researcher

According to Fig 1.1 above, it stated that the independent variable internal audit. According to the conceptual frame work, internal audit has a great impact on the financial management thus audit planning, audit control system and finally audit compliance. The services performed by the auditors' influences Busia District local government to effectively make fundamental decisions, proper accountability and effective compliance thus leading to a high level of financial management within the District, Washington D.C. (2006). Budget decisions requires agency budget requests to be linked to performance measures so budget analysts can understand what results or improvements to expect from an investment of resources. This carries out the Legislature's policy that each agency's budget recommendations must be directly linked to the agency's stated mission, goals and objectives, and that agency budget proposals must integrate performance measures that allow objective determination of an activity's success in achieving its goals.

Additionally, Government needs to be accountable to its shareholders and board of directors (i.e., the taxpayers and Legislature) about what return we provide on investment, and the Districts effectiveness in accomplishing with the mission. Spending reports tell about the investment of funds; therefore internal audit uses financial performance measures to communicate the return on that investment. Robert Behn., (2006)

Financial management measures create awareness to District council management to take action to affect performance or improve efficiency if improvements are necessary. In short, performance measures provide the necessary data and information to make informed decisions. Performance measures provide a snapshot of current performance capabilities and track whether actual performance is getting better, staying the same, or getting worse over time. Shelley H. Metzenbaum., (2006). The best performance measures start conversations about organizational priorities, allocation of resources, and ways to improve performance.

1.9.1 Conclusion

This chapter presented the introduction part of the study, the background to the study, the problem statement, and scope of the study that is categorized into content, geographical and time scope. It also presents the significance and the justification of the study and ends with the conceptual framework and the conclusion

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter will cover critical review of literature by other scholars and writers in relation to internal audit and financial management.

2.1. An over view of Internal Auditing

Internal audit is a long-standing function and an effective tool of management in many organizations. It has been a recognized component of organizations in both the public and private sectors and in most Industries for many years.

Internal auditing is often seen as an overall monitoring activity with responsibility to management for assessing the effectiveness of control procedures which are the responsibility of other functional managers. The internal audit function is not limited to the operation of any particular function within an organization. Rather, it is all-embracing and accordingly is structured in the organization as a separate entity responsible only to a high level of management. According to Okezie (2004) puts it, the main objective of internal auditing is “to assist management in the effective discharge of their responsibilities by furnishing them with analysis, appraisal, recommendations and pertinent comments concerning the activities reviewed”.

Davies (2001) states that internal audit can be seen as independent appraisal established within the organization with the aim of reviewing the effectiveness and efficiency of the activities of an organization, ensuring compliance with established regulations, evaluation of risk management and internal control system of the organization. Therefore the internal

auditor is an employee of the organization's internal audit department who is assigned with the responsibility of performing internal audit functions

Internal auditing which is often seen as constituting a large and significant aspect of an organization's financial control system is a vehicle to success and survival. According to Rittenberg and Schwieger (2001) "internal auditing is taking on increased importance in many of today's global organizations by assisting management in evaluating controls and operations and thereby providing an Important element of global control". Venables and Impey (2007) also recognize the control role of internal auditing when they state:

According to Institute of Internal Auditors IIA, (2009), internal audit is an important part of the corporate governance structure within an organization. Corporate governance includes those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process. (William, 2000)

Evaluating the internal audit function is to examine how well it can detect errors within an organization as well as fraud that have received greater emphasis (Rittenberg Anderson, 2006).

The internal audit function is an important function that has been shown to add value and reduce detected errors by external auditors (Car cello, 2005)

Further, the professional literature suggests that internal audit is a vital tool in fraud detection when assets are misappropriated by employees or outsiders (Car cello et al, 2005b; Rittenberg and Anderson, (2006).

2.1.1 Audit Planning

Audit planning is a vital area of the audit primarily conducted at the beginning of audit process to ensure that appropriate attention is devoted to important areas, potential problems are promptly identified, work is completed expeditiously and work is properly coordinated. "Audit planning" means developing a general strategy and a detailed approach for the expected nature, timing and extent of the audit. The auditor plans to perform the audit in an efficient and timely manner. Anderson et al,(2006)

Audit program planning is usually a continual and iterative process. During audit planning and development, companies can build on lessons learned from previous audits by implementing newly learned best practices that alleviate risk and maintain compliance,(IIA,2003). Audit development guidelines and best practices vary by industry, but local and regional auditing certifications are available, as are internationally recognized audit certifications. These certifications include Certified Internal Auditor and Certified Information Systems Auditor, and membership in the International Register of Certificated Auditors.

Different types of audit programs include standardized audit programs, tailored audit programs and compliance audit programs. Standardized audit programs, which are available for many different industries, can be used proactively to help an organization create its own internal compliance framework and internal audit program. For example, the International Federation of Accountants publishes financial audit standards called the International Standards on Auditing. A standardized audit program is different than a fixed audit program, which is defined as an audit program that cannot be changed during the course of an audit.

2.1.2 Audit Control System

Oshisami (2000) defines internal control system as the “managerial functions of defining and allocating responsibilities and identifying line of reporting that encompass all aspects of operations for the attainment of corporate objectives of an organization”. The objective of internal control system can be deduced from the definition of internal control system. However, the public sector internal control standard (2002) and Okwoli (2004) identify the following objective of internal control system; to ensure the correct procedures are established, maintained and followed so that the financial and management data disclose through timely report, to safeguard the organization’s asset against obsolescence and deterioration, to improve the organizations efficiency in line with the stated objectives, to ensure that everybody in the organization follows the relevant laws, regulations, policies and stated directives, to ensure the completeness, accuracy and reliability of all records.

Internal audit function is to ensure that there are appropriate controls, reliability of information systems, and efficient use of resources McAvoy,2009 (as cited in Hung and Han 2004). Thus internal control system cannot function well without internal audit. Internal control depends on people; therefore these people must know their responsibilities and limits of authority. Therefore linking internal control with their duties and responsibilities and organizational objectives (IIA, 2000) is crucial. Controls can break down because of human action or technological failure, deliberate or plausible management override, necessitating constant review of the controls if objectives are to be attained.

The operational auditing guideline on internal control as cited in Shehu (2004) and (Jenifa,2002) identifies some classification of internal control system which include among others; organizational control, segregation of duties, physical control, authorization and approval control, arithmetical and accounting controls, personnel controls, supervision

control. This shows that every internal control system must have the above component in order to ensure its effectiveness.

2.1.3 Audit compliance

A compliance audit program outlines how an organization will adhere to regulatory guidelines. The details of compliance audit program will vary depending upon factors such as whether an organization is a public or private company, what kind of data it handles and if it transmits or stores sensitive financial data(Buhani 2001). For instance, Sarbanes-Oxley Act requirements state that electronic communication must be backed up and secured with disaster recovery infrastructure, while financial services companies that transmit credit card data are subject to Payment Card Industry Data Security Standard (PCI DSS) requirements. In the United States, publicly traded companies must report results of internal control audits to the Securities and Exchange Commission (SEC). In each case, an organization's audit program outlines how the company will maintain compliance with regulatory compliance rules(Sani 2009)

Governmental generally accepted accounting principles require compliance with applicable laws and regulations. Specifically, the accounting system should be designed to determine and demonstrate compliance with finance related legal and contractual provisions (www.dhs.wisconsin.gov)

2.2. An over view of Financial Management

Public Finance and Accountability Act (2003), Uganda Constitution, the integrated financial management system suggest that financial management is an act to provide for the development of an economic and fiscal policy framework of Uganda, to regulate the financial management of the government, to prescribe the responsibilities of persons entrusted with financial management in the government to provide for the audit of government state enterprises and other connected matters, to regulate the borrowing of money by government.

Denney, Gibson Invancevich (2010) state that adequate supply of financial resources must be available to assure payment of obligations arising from current operations, materials must be purchased, wages paid, interest charges and due debts met.

Julius Kakuru (2000) asserts that financial management is concerned with the raising and allocation of resources within the firm. By this definition, financial management plays a key role in ensuring that the goal of the firm is realized. According to him financial management refers to the routine functions which are performed within the firm to ensure efficient use of funds. The decision taken under this approach is concerned with procedures and systems aimed at efficient internal control mechanism in the use of available resources in the firm.

Financial discipline is the judicious allocation and utilization of scarce resources to ensure that benefits accrue from any activity undertaken. It focuses on ensuring that funds are only expended on activities (projects) from which benefits accrue. The essence of financial discipline is to ensure accountability and prudent utilization of scarce financial resources. Without a disciplined financial set-up, businesses are bound to fail. Financial discipline entails the following; prudence in spending, ensuring proper expenditure control, blocking all leakages and eliminating all sorts of malpractice associated with funds management, ensuring value for money, accountability, strict adherence to budget, review of budget and financial allocation from time to time (Damagun,2003)

(Adams,2004) agree that financial control at local government level are of two ways; Internal and External control. Internal financial control include; issuance of financial authorities for example warrant, appointment of committee for different service, centralization for all payments to and out of the council, preparation of estimate of income and expenditure for the year and establishment of authority limit. While the external financial control include;

parliamentary control, state/federal government control, control by general public and external auditor control. Local government service are finance through internally generated revenues, share from the central government, borrowing, leasing etc. (Adams,2004).

From the above concept of financial management, it is clear that financial management is all about proper utilization of financial resources in accordance with the regulation, accounting manual and even organizational policies in order to avoid waste, misuse, embezzlement and misappropriation of financial resources,

According to Carl and James (2004), financial accountability encompasses rules that businesses (both private and public) must follow to be accountable to their stockholders and the general public. The essence of financial accountability therefore, is an obligation of the government to assure the citizens that public money is spent in the best possible and effective way (Redlynch, 2004). However, over the past, local governments have been found not to deliver to the people with continued citation of failure to account for public finances (MoLG, 2004).

2.2.1. Budget performance

Performance budgeting is an integrated annual performance plan and annual budgeting that shows the relationship between programme funding levels and expected results. It indicates that a goal or a set of goals should be achieved at a given level of spending. Performance budgeting identifies the relationships between money and results, as well as explaining how those relationships are created. A programme for support, in addition to estimating activity costs (Kydlan& Prescott, 2009).

Financial performance plans frequently depicted a relationship between program activities and performance goals that, while consistent will cover program activities, failed to translate

into funding justification. Gonhasa (2011) notes that a proper school budget should show all activities the school intends to do in the following year; such as purchase of constructional materials, feeding of students, payments of salaries and allowances to lecturers, administrators, support staff income generating activities, if any and capital development expenditures. This points a budgeting paradigm, which is a basis of establishment of financial performance measures. These measures act as a guide of what the institution feels important, and how well it will reflect good financial performance.

Budgeting process should be participatory. Ndiwalana (2009) argues that the act of participating in budget process serves as a function by inducing employees to accept and commit to their budgeting goals. He further argued that when employees participate in budgeting; it will result into reduced costs, improved motivation and job commitment and therefore enhance performance

2.2.2 Financial Accountability

Literature depicts accountability as a statutory obligation, a legitimate requirement, an emergent system of control, central to the functions of financial reporting, embodying the relationship between principle and agent, at the core of accountable management, and the key to responsible government (Degeling, Anderson, & Guthrie, 2012). There is financial accountability, managerial accountability, and professional accountability.

In particular, financial accountability can be assessed by value for money and the fact that individuals accept personal responsibility for their actions in terms of the quality of their outputs and decisions (Brown, 2001). It is a state of being accountable subject to the obligation to report, explain and justify something. The 1966 Webster's International Dictionary defines it as "being responsible and answerable".

2.2.3. Revenue collections

This involves the process of providing reports and statements that are used to determine the financial performance of the organization through the use of Income and Expenditure accounts and Financial Statements. There is however a widespread recognition of the greater need in the Government Institution to supplement statement with other, often Non-financial measures of performance that enhance accountability, informal execution of policy ,budgetary planning and monitoring. This deemed to improve quality, monitor effective use of resources to ensure fair distribution and access to services. (Tom, Bill, and McKendric, 2002)

2.3 The effect of audit planning on financial management

Glazer and Jaenike (2002) argued that performing auditing work according to internal auditing planning contributes significantly to the effectiveness of auditing. Ridley and D'Silva (2004) found in the UK that complying with professional standards is the most important contributor to IA's added value. Standards for audits and audit-related services are published by the IIA (2008) and include attribute, performance and implementation standards. In general, formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports. They require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach. This is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgment is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Bou-Raad 2000). It can thus be argued that greater quality of IA

work understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution will improve the audit's effectiveness.

Mgr Lon BogdanDumitrescu in his article of internal audit of public institutions (2004) acknowledges that every bank should have an internal audit department on which with regard to the volume and nature of its activities. The internal audit department in public institution must be independent from the activities which it controls and must likewise be independent from the day-to-day internal control processes. Every public institution should have formalized principles of internal audit plan providing for its position and powers in the framework of the district activities.

2.4 The effect audit control system on financial management Controls audits are designed to ensure that appropriate controls over systems and software are in place to ensure that internal controls and internal checks are functioning as designed, (Haylas and Ashton, 2007). Controls audits can have features built into them to ensure that fraudulent truncations are flagged or made difficult, if not impossible, to transact. Controls audits provide assurance that controls are working, but they do not necessarily detect fraud or corruption. Internal controls audit objectives relate to management's plans, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal control includes planning, organizing, directing, and controlling program operations and the systems put in place to measure, report, and monitor program performance, (Esmailjee, 2000).

Haylas and Ashton (2011) in their effort to provide evidence on the effectiveness of particular audit techniques in detecting errors that affect the financial statements suggested that all intentional errors are concentrated in relatively few audits and these are fairly predictable by industry. The great majority of such errors affect income but the direction of effect may either be an understatement or over statement. Regarding the signaling of an error, they found that

the large portion of financial statements errors are initially signaled by less rigorous audit procedures such as analytical review and discussions with the client. Client personnel problems such as inexperience, incompetence and insufficient knowledge and inadequate control follow up or reviews were found instrumental in causing the errors.

Salih (2003) evaluated the internal controls of Ethiopian Airlines in Nairobi branch and concluded that the lack of segregation of accounting and custodian functions was the greatest weakness of the branch office. He argued that there is need to centralize cash receipts, establish an audit unit, separate accounting unit from sales section, separate duties of purchase activities and establish a perpetual inventory system for the tickets. He further emphasized that the existence of control is very crucial especially under today's condition with severe competition which place premium on reliable customers' services, on consideration of cash, on realization of capital assets and manpower and on other reduction costs.

Esmailjee (2000) studied the internal controls of Nyayo Bus Service Corporation a state corporation. He observed that cash receipts as well as cash disbursements bear fairly strong controls attributed to the fact that the government accounting system is still in operation. However, the payroll and the stores accounting systems had a lot to be desired. Regarding the Organizational chart, a lot of information was missing. The internal auditor was being underutilized as he was charged with the responsibility of performing routine control checks which were also performed by the examination section. This led to duplication of efforts and down playing of the internal auditor's effective role.

Keitany (2000) in a study of internal audit control functions and its implications for risk assessment by the internal auditor: A case of quoted companies concluded that even though the extend of reliance on internal control is not sensitive to the strengths of audit departments, companies should not do away with it. This is because as a management tool it should assist management in its day to day operations and not necessarily of any relevance to the external auditor. This may be attributed to the fact that external auditor may have specific considerations which may be beyond the strength of internal controls. However, though the

system of internal control was ranked as the most important factor in obtaining audit evidence other indicators followed. It therefore implies that once the auditor establishes the strength of the audit department, other risk indicators come into play notwithstanding the strength of internal control.

In a study investigating the effects of internal control deficiencies on firms risk and cost of equity capital, Ashbaugh, Collins, and Kinney (2006) concluded that firms that disclose an internal control problem experience a significant increase in market-adjusted cost of capital and firms that subsequently improve their internal control systems exhibit a decrease in their market-adjusted capital. This study provides evidence that internal control risk matters to investors and those firms reporting strong internal controls or firms that correct prior internal control problems benefit from lower costs of equity capital beyond that predicted by other internal control risk factors.

Findings by Schneider and Church (2008) on the effect of auditor's internal controls opinion on loan decisions suggested that an adverse internal control opinion can underpin the assurance provided by unqualified opinion on financial statements taken as a whole and have a negative effect on lenders assessment. Adverse internal control opinion weakens the importance assigned to the balance sheet and income statement in lending decisions and that it reduces lenders confidence that financial statements are presented fairly in conformance with the generally accepted accounting principles. Khandawalla (2002) carried out a research on the relationship between the degree of competition and control. He concluded that the greater the degree of competition, the greater would be the need to control costs and evaluate whether actual performance meets the target performance expectations.

2.5 The effect of audit compliance on financial management. Detecting fraud is a challenging task. Perpetrators actively engage in deception in an attempt to conceal their behavior, auditors may have limited experience in fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect (HerzandSchultz, 2008; Kaplan et al., 2010; Nieschwietz et al., 2000). Hence, the organization would be optimally served by identifying and utilizing those individuals who, because they appear to share certain unique personality traits or characteristics, may be best suited to the fraud detection task. For example, Uecker et al. (2003) used perceptions of relative aggressiveness between internal and external auditors to investigate the detection of corporate irregularities. Internal auditors play an important role in fraud detection with most frauds identified by the internal audit function (KPMG, 2003, Norman et al., 2010). Due to the importance of effective fraud detection, any measures that can enhance the efficacy of auditors should be of value. While experience and ability are undeniably important in the detection process, certain individual characteristics may be predictive of the capacity to detect fraud (Ashton, 2004). Understanding how auditors are perceived, and how these perceptions lead to beliefs regarding their detection abilities, is an important first step in relating personality traits to the efficacy of auditors.

A review of the research reveals a general acknowledgment that the five factor model can be used as a descriptive mechanism for the most salient elements of an individual's personality (Judge et al., 2002). Conscientiousness is the personality dimension primarily responsible for organizing and directing individual behavior, and conscientious individuals may be characterized as responsible, diligent, persevering and thorough (Digman and Takemoto-Chock, 2010).

Wells (2003) conducted a series of interviews with successful fraud examiners and found that these individuals exhibited a cluster of common traits including perseverance, diligence and integrity each of which is an attribute of the conscientiousness dimension. Within the context of the five factor model, only conscientiousness has been found to reliably predict job performance across all occupational groups (Robertson et al., 2000). Indeed, some studies have demonstrated that conscientiousness correlates with task performance just as strongly as cognitive ability (Alonso 2000). Previous research has demonstrated a linkage between conscientiousness and task performance, and the linkage has been shown to be stable across time (Barrick et al., 2009). Conscientiousness can affect job performance in a number of ways. Conscientious employees are generally more reliable, more motivated, and harder working; they are also likely to devote more energy to the task at hand and spend less time daydreaming (Viswesvaran, 2006).

This results in greater assimilation of task related knowledge, leading to greater productivity (Ones and Viswesvaran, 2006). Conscientious individuals would be expected to pay more attention to detail and profit more from vicarious learning, thus gaining enhanced job knowledge and being more productive (Bandura, 2000; Viswesvaran, 2006). These assertions were confirmed by Colquitt et al. (2000) who showed that conscientiousness was highly correlated with motivation to learn and by Borman et al. (2000) who demonstrated a positive association with job knowledge.

2.6. Relationship between Internal audit Function and Financial Management

Internal auditing involves: A review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and

regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives

For internal audits to be effective, it is important to have a competent internal audit department composed of honest individuals. The ethical values of an organization play an important role in both detecting and minimizing the occurrences of fraudulent activities and the end result is better and improved financial performance, which results into organizations growth and quality of products or services provided (Institute of Internal Auditors,2004).

However, Catherine, et al (2005) in their study, internal audit, employee attitude and financial performance of organizations do not find significant relationship between them. They further found out that financial performance is dependent on many complex factors that work in a system of pattern and therefore hard to single out one major determinant factor.

Chambers (2000) suggests that proper management of public finance require an independent audit function to monitor collection and use of finance and ensure compliance of the financial controls. He further observes that that the internal audit function is to check on the effectiveness of financial controls and stop any doubtful expenditure that may lead to loss of funds through fraud, forgery and theft among others.

Rutherford (2009) asserts that management of public funds require financial controls and an independent internal audit, he however, observed that financial control is intended to control financial operations of the organization to allow achievements to be compared with the organization's desired objectives so as to enable the new goals and objectives to be formulated.

2.7 Conclusions

From the Literature review, several researchers seem to concur that there is a relationship between internal audit and financial management of public institutions in Uganda .However there seems to be very few studies done on effect of internal audit financial management in organizations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter deals with the methods and tools the study is to use in data collection and analysis. It describes the research sampling design, data sources, processing and analysis and the challenges that the researcher faced in the study.

3.1 Research design

The study employed a cross sectional survey design. A research design is the strategy, plan and structure of the research project (Hayward, 2005). The researcher believes that the cross-sectional study helped to provide a picture of the outcome and the characteristics associated with it, at a specific point in time and hence enable the drawing of inferences from existing differences between respondents' viewpoints about the role of internal audit on financial management of public institutions in Uganda.

The study further used a case study design where the causal relationships between variables were investigated. Internal audit was the independent variable while financial management was the dependant variable. The study took Busia district local government as the case study because it is mandated to develop, manage and administer Human Resource Policies, Management Systems, Procedures and Structures for the Public Service. The researcher believed that the case study would provide an opportunity for the intensive analysis of many specific details that are often disregarded by other methods.

The study used both qualitative and quantitative research approaches which complemented each other in order to ensure that they produced the best outcomes. The qualitative techniques involved use of interview guides which were used to analyze information in a systematic way

so as to come up with useful conclusions and recommendations. The quantitative techniques mainly involved the use of a Likert scale to measure responses such as strongly disagree, disagree, not sure, agree and strongly agree respectively. Quantitative techniques on the other hand basically involved logical presentation and interpretation of the statistical data obtained from the field particularly using Statistical Package for Social Scientists (SPSS) computer package.

3.2 Area of the study

The study was conducted at the Busia district local government. The selection of the area of study was influenced by the availability of an adequate number of potential informants about the role of internal audit on financial management of the district.

3.3 Study Population

The population was comprised of 250 and this included the staff of Busia District Local Government especially those who work in the internal audit unit, departmental heads, accounts staff, politicians and administrative assistants. These employees were considered because they had knowledge on how internal audit has an influence on financial management.(Busia district personnel report 2016)

3.4 Sampling procedures

3.4.1 Sample size

According to Mugenda and Mugenda (2003) a 30% sample is sufficient. The respondents were both male and female in the categories of internal audit staff, account staff, and administrative assistants as summarized in the table below:

Category of Population	Population Size	Sample	Sampling Technique
Staff Management of Busia District	10	10	Purposive sampling
Internal staff auditor	10	10	Stratified random/Simple random sampling
Accountants	155	108	Stratified random/Simple random sampling
Administrative Assistants	75	24	Stratified random/Simple random sampling
Total	250	152	

Source: Krejcie and Morgan, (1970)

3.4.2 Sampling techniques

Systematic Random sampling and purposive sampling techniques were employed. Systematic random sampling technique was employed when selecting the members of Busia District Local Government. This was done to avoid biasness. Purposive method was applied when selecting staff because there was need to specifically get information from those members of staff who deal directly with Financial Management issues.

3.4.2.1 Purposive sampling

Purposive sampling technique, also called judgment sampling, is the deliberate choice of an informant due to the qualities the informant possesses. It is a non-random technique that does not need a set number of informants. The researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard 2002, Lewis and Sheppard 2006). Here the researcher used his judgment in regard to some participants. This was particularly used for the District management, Assistant administrators audit staff. This was because participants in those

categories are few and can be selected purposively because they are known and they are believed to have more information necessary for the study.

3.4.2.2 Stratified random sampling

The study used stratified random sampling because of the heterogeneity of the elements. The population was divided on the basis of the levels of management which forms the strata. The technique was used on accountants and audit staff.

3.4.2.3 Simple random sampling

The study used simple random sampling to further select the members within the different strata and each member was given an equal opportunity of being selected thus making the research findings representative.

3.5.0. Sources of data and tools

3.5.1. Primary and secondary data

The researcher used both primary and secondary data sources. Primary data was obtained through interviews and the administration of questionnaires to the members and staff of Busia District Local Government.

3.5.2 Secondary data

Secondary data sources, the researcher reviewed records related to the study by searching through text books, journals, newsletters/newspapers and reports: The data was gathered, compiled and analyzed.

3.6 Data Collection Methods and Instruments

3.6.1 Questionnaire

The study used a questionnaire method in the research process. A questionnaire was used because it allowed in-depth research, to gain firsthand information and more experience over

a short period of time (Creswell, 2003). A questionnaire was further used because it increases the degree of reliability due to the many items in it and it was well enhanced the chances of getting valid data, (Kothari, 2008). The questionnaire consists of closed-ended questions. A large group of respondents were covered within a short time and in this case questionnaires were distributed and answered in a very short period of time.

3.6.2 Interviewing Method

This method was used to collect qualitative data through purposeful discussion between the researcher and the respondents. This helped the researcher to get deep exploration of opinions of the respondents. Using an interview schedule, open-ended questions were asked by the interviewer to give respondents a chance to express their views and opinions about the relationship between variables. Probing was done to seek clarification on the responses. This method ensured that respondents give accurate and complete answers to the questions.

3.7 Quality Control Methods

Quality control methods basically addressed issues of validity and reliability of the research instruments.

3.7.1 Validity

The study adopted content validity to test and ascertain the validity of instruments. Validity refers to how well a test measures what it is purported to measure (Carmines and Zeller, 1979). Validity of the research tools used for data collection was achieved by repeated reviews with fellow students and with guidance from supervisor. The researcher asked them to evaluate the items on the questionnaires for their relevance to the stated objectives of the study. The researcher further ensured content validity of the instruments by making sure that questions or items in them conform to the study's conceptual framework and research questions. Then, he assessed their content validity by using the content validity index (CVI)

to further ascertain their validity. A formula whereby the number of items rated as relevant was divided by the total number of items on the questionnaire was adopted to achieve the content validity index (CVI) to compute content validity thus:

$$\text{CVI} = \frac{\text{Total of items rated as relevant}}{\text{Total number of items in the questionnaire}}$$

3.7.2 Reliability of Research Instruments

In testing the reliability of instruments, the study adopted Cronbach's Alpha coefficient value analysis. According to Dobson (2002), Reliability refers to the measure of the degree to which research instruments yield consistent results after repeated trials. When the coefficient is 0.6, the instrument is considered reliable. In the study, the coefficient was 0.74 meaning the instrument was considered reliable.

3.8 Data analysis, processing and presentation.

After the data is collected and gathered. Then, data was examined to detect errors, omissions, contradicting and unreasonable information. This was done to ensure accuracy, consistency and uniformity in the information for analysis. Data will then be entered into the computer and analyzed by the use of MS Excel and then presented in form of tables showing frequencies and percentages.

3.9 Data Analysis

Quantitative data got from the questionnaires were computed into descriptive and inferential statistics in form of frequencies, percentages, correlations and regressions. Further, the researcher coded all the questionnaires and entered the results in computer software called Statistical Package for Social Scientists (SPSS version 16) for analysis in order to generate the correlation results and establish the relationships of each variable and regression analysis. SPSS is computer software designed for researchers to analyze data in order to develop

meaningful figures.

3.10 Ethical consideration

A letter of introduction was obtained from the University, the Faculty of Business Administration and management, introducing the student to Busia District.

CHAPTER FOUR

DATA INTERPRETATION, ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field on the role of internal audit on financial management of public institutions in Uganda Busia district. Descriptive statistics were used to discuss the findings of the study. The study focused on the following objectives thus to examine the effect of audit planning on the financial management of public institutions in Uganda, to examine the effect of audit control system on the financial management of public institutions in Uganda and finally to examine the effect of audit compliance on the financial of public institutions in Uganda.

4.1 Demographic statistics

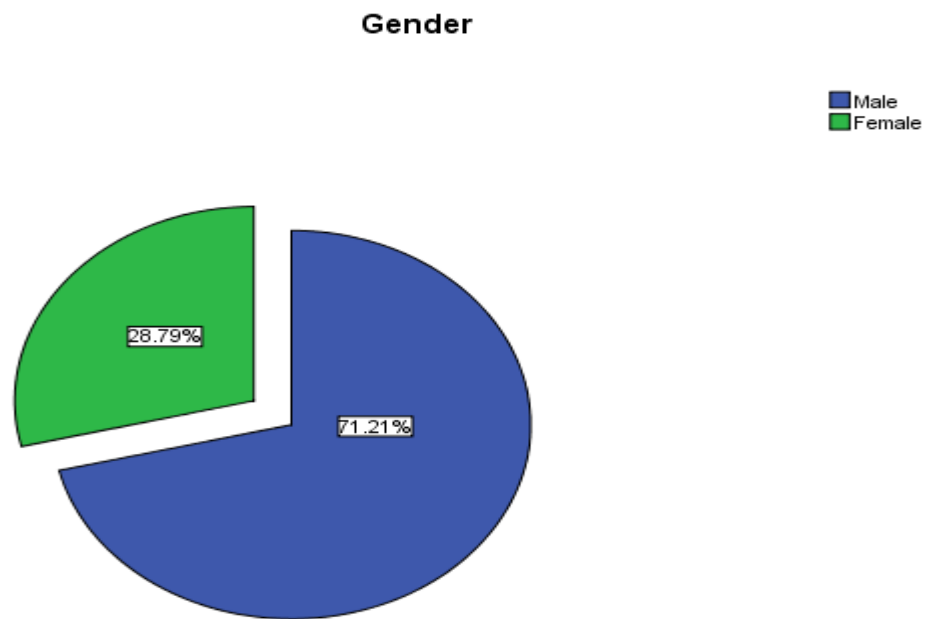
Out of 152 questionnaires that were issued during data collection, 132 questionnaires were returned as filled and 20 questionnaires went missing giving a percentage response rate of 86.8%. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. It therefore goes that the study registered good response rate. Therefore this means that the study had an active participation and gave the information which was enough for the study.

The respondents were required to state their sex, age group, academic qualification, and duration of service with Busia district local government. The background information was seen necessary because the researcher wanted to show that all respondents that provided the information have different backgrounds. This is proof that findings for the study were not for a specific group of respondents and the results are discussed below;

4.1.2 Gender of the respondents

The figure below represents the findings that were obtained from the respondents in relation to their gender. The researcher required the respondents to indicate whether male or female and the results are illustrated in the figure below

Figure 1 .Gender of the respondents



Source: Primary Data 2017

From the figure above, gender distribution was as follows (71.21%) of the respondents were males and (28.8%) were female, this is an indication that both genders were involved in this study and thus the finding of the study did not suffer from gender bias. However majority of the respondents being males indicated that male are flexible to female who always carry domestic work at their homes.

4.1.3 Age group of the respondents

The respondents were required to indicate their age by picking in the relevant age bracket as provided by the researcher; below 25 years, 25-34 years, 35-44 years, 45-50 years and 51 years and above are represented in the table below;

Table 1 showing age group of the respondents

		Age Group		
		Frequency	Percent	Cumulative Percent
Valid	Bellow 25 Years	11	8.3	8.3
	25 - 34 Years	49	37.1	45.4
	35 - 44 Years	34	25.8	71.2
	45 - 50 Years	29	22.0	93.2
	51 Years and Above	9	6.8	100.0
	Total	132	100.0	

Source: Primary Data 2017

The study requested the respondents to indicate their age category, from the findings, 37.1% of the respondents were aged between 25 to 34 years, 25.8 % of the of the respondent indicated they were aged between 35 to 44 years, 22% of the respondents indicated were aged between 45 to 50 years, whereas 6.8 % of the respondents indicated that they were aged above 51 years. This is an indication that respondents were well distributed in terms of their age. Therefore, majority of the respondents indicated that most auditing services are flexibly

performed by the youth who foresees fraud and provide quick means of solving errors within Busia district local government financial management services.

4.1.4 Level of education of the respondents

The researcher had an interest in the academic qualifications of the respondents as part of their bio data and the responses were presented in the table below;

Table 2 showing education level of the respondents

Education Level

	Frequency	Percent	Cumulative Percent
Valid Certificate Level	29	22.0	22.0
Diploma Level	45	34.1	56.1
Degree Level	47	35.6	91.7
Masters level	11	8.3	100.0
Total	132	100.0	

Source: Primary Data 2017

The study requested the respondents to indicate their highest level of education. From the findings it was established that 35.6% of the respondents indicated their highest level as degree, 34.1% of the respondent indicated their highest level as college diploma, and 8.3% of the respondents indicated their highest level of education as masters, whereas 22 % of the respondents indicated their highest level as certificate level. This is an indication that most of the respondents focused in this study had university degrees as their highest level of education which implies that they can read and write.

4.1.5 Duration of service worked with Busia district local government

The table below shows the numbers of years the respondents have been working with Busia local government, and the results are illustrated in the table below;

Table 5 Duration of Service

Duration of Service				
		Frequency	Valid Percent	Cumulative Percent
Valid	Less than 2 year	24	16.9	16.9
	2 - 5 Years	34	26.2	43.1
	6 - 10 Years	37	28.5	71.5
	More than 10 Years	24	16.9	100.0
	Total	132	100.0	

Source: Primary Data 2017

The study requested respondents to indicate the number of years they had served for. From the findings the study established that 28.5 % of the respondents had worked for a period of raging 6 to 10 years 26.2 % of the respondent indicated that they had worked for a period raging between 2 to 5 years 16.9 % of the respondents had served for more than 10 years, and finally 16.9 % of the respondents indicated to had worked for a period of less than 2 years, this implies that majority of the respondents had served for a considerable period which indicates that most of the respondents had vast knowledge which could be relied upon by this study.

4.2 Descriptive statistics on how Audit compliance affects financial management of public institutions in Uganda

This is the first objective of the study and it was intended to specifically establish the above relationship. The analysis was based on descriptive statistics mean and standard deviation hence details are presented in table 6 below

Table 6 Audit compliance on financial management of public institutions

Statements	N	Mini mum	Maxi mum	Mean	Std. Deviation
In local governments budgets frauds are identified by the internal audit function	132	1	5	1.40	0.21
Measures that can enhance the efficacy of auditors are important for effective fraud detection	132	1	5	1.05	0.24
conscientiousness correlates with task performance just as strongly as cognitive ability	132	1	5	1.00	0.26
The auditors in Busia district are qualified to undertake audit function	132	1	5	1.40	0.19
Fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the financial management of Busia local government	132	1	5	1.60	0.21

Source.Primary data 2017

The respondents were requested to state whether local government's budgets frauds are identified by the internal audit function. The findings indicated a mean of 1.40 which implied that the majority of the respondents agreed with the statement and a standard deviation of 0.21 which implied that there were varying views among the respondents. This is in support with Reynolds, (2009) who noted that audits play an important role in serving the public interest by increasing the accountability of managers and reinforcing trust and confidence in financial reporting process. However there were some respondents that disagreed to the statement indicating that local governments need a suitable and effective quality management

system need to conduct internal audits in order to ensure that the system functions as intended (Lindow and Race, 2002).

The respondents were asked to state whether Busia district local government has measures that can enhance the efficacy of auditors are important for effective fraud detection. The findings indicated a mean of 1.05 which implied that the majority of the respondents agreed to the statement and a standard deviation of 0.24 which implied that the respondents had differing views about the statement. Norman et al., (2010) supported the statement by noting that one of the measures is experience and ability that are undeniably important in the detection process, certain individual characteristics may be predictive of the capacity to detect fraud. However there were some respondents that disagreed to the statement indication Busia district local government would be optimally served by identifying and utilizing those individuals who, because they appear to share certain unique personality traits or characteristics, may be best suited to the fraud detection task between internal and external auditors to investigate the detection of corporate irregularities

The respondents were further requested to state whether conscientiousness correlates with task performance just as strongly as cognitive ability in audit compliance. The findings indicated a mean of 1.00 which implied that many of the respondents agreed to the statement and a standard deviation of 0.26 which implied that the respondents had varying views on the statement. This means that majority of the respondents agree upon the statement which is in support with (Digman and Takemoto-Chock, 1981). However some respondents did not agree.

Respondents were requested to state whether the auditors in Busia district are qualified to undertake audit function. The findings indicated a mean of 1.40 which implied that the majority of the respondents agreed with the statement and a standard deviation of 0.19,

this showed that the respondents had varying views about the statement which is in support with Bou-Raad (2000) who argued that greater quality of internal audit work is understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution which improves the audit's effectiveness. However as much as majority of the respondents agreed, some respondents disagreed because some auditors were identified to have been using only experience that has made them perform effectively.

The respondents were requested to state whether fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the financial management of Busia local government. The findings indicated a mean of 1.60 which implied that evaluating the internal audit function is to examine how well it can detect errors within an organization as well as fraud that have received greater emphasis (Rittenberg Anderson, 2006), where many of the respondents agreed to the statement and a standard deviation of 0.21 implied that there were varying views about the statement among the respondents. This means that much as the respondents agreed, some totally disagreed with it because internal audit function is an important function that has been shown to add value and reduce detected errors by external auditors (Car cello, 2005)

Table 7: Correlation analysis between audit compliance and financial management

Details		Audit compliance	Financial Management
Audit compliance	Pearson Correlation	1	.522**
	Sig. (2-tailed)		.000
	N	132	132
Financial Management	Pearson Correlation	.522**	1
	Sig. (2-tailed)	.000	
	N	132	132

** . Correlation is significant at the 0.01 level (2-tailed).

Source: primary data (2017)

The Pearson correlation value of $r = 0.522^{**}$ $p < 0.01$ revealed that there is a moderate strong positive and a significant relationship between audit compliance and financial management. This meant that audit compliance outlines how an organization will adhere to regulatory guidelines in regard to audit support that enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders (Eighme & Cashell, 2002) where financial management and corporate strategy of an organization is underpinned by effective internal systems in which the internal audit has an important role in raising the reliability of the internal control system by 52.2 percent. This is in line with (Institute of Internal Auditors, 2004) who noted that for internal audits to be effective, it is important to have a competent internal audit department composed of honest individuals. The ethical values of an organization play an important role in both detecting and minimizing the occurrences of fraudulent activities and the end result is better and improved financial performance, which results into organizations growth and quality of products or services provided.

4.3 Descriptive statistics on how internal control system affects financial management of public institutions in Uganda

This is the second objective of the study and it was intended to specifically establish the above relationship. The analysis was based on descriptive statistics mean and standard deviation hence details are presented in table 8 below,

Table 8 showing internal control system on financial management of public institutions

Statement	N	Minimum	Maximum	Mean	Std Deviation
Controls audits in the organization have features built into them to ensure that fraudulent truncations are flagged or made difficult to transact	132	1	5	1.15	0.23
intentional errors are concentrated in relatively few audits and these are fairly predictable by industry	132	1	5	1.45	0.22
The lack of segregation of accounting and custodian functions hinders fraud detection and reporting	132	1	5	1.90	0.19
firms that disclose an internal control problem experience a significant increase in market-adjusted cost of capital	132	1	5	1.55	0.30
Cash receipts bear fairly strongly controls	132	1	5	1.60	0.27

Source primary data 2017

Respondents were required to state whether controls audits in the organization have features built into them to ensure that fraudulent truncations are flagged or made difficult to transact and the findings indicated a mean of 1.15 which implied that majority agreed to this statement. The standard deviation of these responses was 0.23 which indicated that respondents had varying responses on the statements. This implies that much as the majority agreed that Controls audits in the organization have features built into them to ensure that fraudulent truncations are flagged or made difficult to transact, there are a number of respondents that disagreed because in practice, controls audits are designed to ensure that

appropriate controls over systems and software are in place to ensure that internal controls and internal checks are functioning as designed, Haylas and Ashton, (2007).

The study sought to find out whether intentional errors are concentrated in relatively few audits and these are fairly predictable by industry. The findings indicated a mean of 1.45 which implied that a big number agreed to the statement. Standard deviation was 0.22 which implied that respondents had wide varying views on the statement which is in line with Haylas and Ashton (2011) noted that regarding the signaling of an error, large portion of financial statements errors are initially signaled by less rigorous audit procedures such as analytical review and discussions with the client. Furthermore client personnel problems such as inexperience, incompetence and insufficient knowledge and inadequate control follow up or reviews were found instrumental in causing the errors. However respondents who disagreed noted that the great majority of such errors affect income but the direction of effect may either be an understatement or over statement

The research wanted to ascertain whether the lack of segregation of accounting and custodian functions hinders fraud detection and reporting and the findings indicated a mean of 1.90 which implied that the majority agreed to the statement. Standard deviation was 0.19 which implied that respondents had varying views on the statement. This means that much as the majority agreed to the statement, some district auditors disagreed basing on the fact that lack of segregation of accounting and custodian functions was the greatest weakness of the branch office. However,Salih (2003) argued that there is need to centralize cash receipts, establish an audit unit, separate accounting unit from sales section, separate duties of purchase activities and establish a perpetual inventory system for the tickets. He further emphasized that the existence of control is very crucial especially under today's condition with severe

competition which place premium on reliable customers' services, on consideration of cash, on realization of capital assets and manpower and on other reduction costs

The researcher wanted to establish whether firms that disclose an internal control problem experience a significant increase in market-adjusted cost of capital. The findings indicated a mean of 1.55 which implied that a big number of the respondents agreed to the statement. The standard deviation was 0.30 which implied that respondents had varying views on the statement. This means that much as the majority respondents agreed to the statement which is in line with Keitany (2000) in a study of internal audit control functions and its implications for risk assessment by the internal auditor: A case of quoted companies concluded that even though the extend of reliance on internal control is not sensitive to the strengths of audit departments, companies should not do away with it. This is because as a management tool it should assist management in its day to day operations and not necessarily of any relevance to the external auditor; however respondents who disagreed noted that though the system of internal control was ranked as the most important factor in obtaining audit evidence other indicators followed. It therefore implies that once the auditor establishes the strength of the audit department, other risk indicators come into play notwithstanding the strength of internal control.

Respondents were required to state whether cash receipts bear fairly strong controls, the findings indicated a mean of 1.60 which implied that majority of the respondents agreed to the statement. Standard deviation was 0.27 which implied that respondents had varying views on the statement, meaning that much as many of the respondents agreed to the statement which is in regard with Esmailjee (2000) observed that cash receipts as well as cash disbursements bear fairly strong controls attributed to the fact that the government accounting system is still in operation. However, the payroll and the stores accounting systems had a lot to be desired. Regarding the Busia district local government chart, a lot of information was missing implying that internal auditor was being underutilized as auditors were charged with the responsibility of performing routine control checks which were also performed by the examination section. Therefore this is led to duplication of efforts and down playing of the internal auditor’s effective role.

Table 10: Correlation analysis between Internal control System on financial management

		Internal Control System	Financial Management
Internal Control System	Pearson Correlation	1	.480
	Sig. (2-tailed)		.000
	N	132	132
Financial Management	Pearson Correlation	.480	1
	Sig. (2-tailed)	.000	
	N	132	132

** . Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis showed a positive significant relationship ($r = 0.480$, $p < 0.01$) between internal control system and financial management. This means that financial management

is positively affected by internal control system for example Controls audits are designed to ensure that appropriate controls over systems and software are in place to ensure that internal controls and internal checks are functioning as designed. Furthermore Controls audits provide assurance that controls are working, but they do not necessarily detect fraud or corruption. These findings are also in agreement with Rutherford (2006) who said that management of public funds require financial controls and an independent internal audit, he however, observed that financial control is intended to control financial operations of the organization to allow achievements to be compared with the organization's desired objectives so as to enable the new goals and objectives to be formulated.

4.4 Descriptive statistics on how Audit planning affects financial management of public institutions in Uganda

This is the third objective of the study and it was intended to specifically establish the above relationship. The analysis was based on descriptive statistics mean and standard deviation hence details are presented in table 11 below,

Table 11 audit planning and financial management of public institutions in Uganda

Statement	N	Mini mum	Maxi mum	Mean	Std Deviation
performing auditing work according to internal auditing planning contributes significantly influence the effectiveness of auditing	132	1	5	1.45	0.22
complying with professional standards is the most important contributor to IA's added value	132	1	5	1.25	0.26
Standards for audits and audit-related services influence the performance of commercial banks	132	1	5	1.45	0.28
formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports	132	1	5	1.30	0.23
internal audit planning evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach in the financial management	132	1	5	1.40	0.31

Source primary data 2017

Respondents were required to state whether performing auditing work according to internal auditing planning contributes significantly influence the effectiveness of auditing, the findings indicated a mean of 1.45 which implied that majority of the respondents agreed to

the statement. Standard deviation was 0.22 which implied that respondents had varying views on the statement, meaning that much as many of the respondents agreed to the statement, a few respondents disagreed because majority of the activities in terms of reporting is not always done at the district level yet workers claim to be performing their duties. This is in line with the concept that during audit planning and development, District management council can build on lessons learned from previous audits by implementing newly learned best practices that alleviate risk and maintain compliance. In particular, financial accountability can be assessed by value for money and the fact that individuals accept personal responsibility for their actions in terms of the quality of their outputs and decisions (Brown, 2001).

Respondents were further required to state complying with professional standards is the most important contributor to IA's added value. The findings indicated a mean of 1.25 which implied that the majority of the respondents agreed to the statement and a standard deviation of 0.26 which implied that the respondents had varying views on the statement. This means that much as the majority agreed to the statement, there are some few respondents that disagreed given that standards for audits and audit-related services are published by the IIA (2008) and include attribute, performance and implementation standards. In general, formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports.

The researcher wanted to establish whether Standards for audits and audit-related services influence the performance of Busia district local government financial management. The findings indicated a mean of 1.45 which implied that a big number of the respondents agreed to the statement. The standard deviation was 0.28 which implied that respondents had varying views on the statement, because audit planning is a vital area of the audit primarily conducted

at the beginning of audit process to ensure that appropriate attention is devoted to important areas, where potential problems are promptly identified, work is completed expeditiously and work is properly coordinated. Therefore respondents concluded that the district auditors need to be offered usual training in order to comply with all the standards of performing both effectively and efficiently.

The study sought to find out whether formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports. The findings indicated a mean of 1.30 which implied that a big number agreed to the statement. Standard deviation was 0.23 which implied that respondents had wide varying views on the statement implying that financial management activities require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity that would evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach with in the local council management unit.

The study sought to find out whether internal audit planning evaluates and contributes to the improvement of risk management, control and governance using a systematic and disciplined approach in the financial management. The findings indicated a mean of 1.30 which implied that a big number agreed to the statement. Standard deviation was 0.23 which implied that respondents had wide varying views on the statement. This is in support with Bou-Raad (2000) who noted that it's important not only for compliance with legal requirements, but also because the scope of an auditor's duties that involve the evaluation of areas in which a high level of judgment is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management in order to evaluate all financial activities as outlined by the management of Busia district local government.

Table 12: Correlation analysis between Audits planning on Financial Management.

		Audit planning	Financial Management
Audit planning	Pearson Correlation	1	.503**
	Sig. (2-tailed)		.000
	N	132	132
Financial Management	Pearson Correlation	.503**	1
	Sig. (2-tailed)	.000	
	N	132	132

** . Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis showed a highly significant positive relationship ($r = 0.503$, $p < 0.01$) between audit planning and Financial Management. This means that financial management is very positively affected by audit planning for example auditors plan to perform the audit in an efficient and timely manner and this helps in delivering all financial management activities on time. These findings are in agreement with Glazer and Jaenike(1999) who noted that performing auditing work according to internal auditing standards contributes significantly to the effectiveness of auditing. In general, formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports. They require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach.

4.5 Relationship between internal audit and financial management

Table 13relationship between internal audit and financial management

	Statement	N	Mini mum	maxi mum	Mean	Std Deviation
1	What is the effect of internal audit on financial management of Busia district local government	132	1	5	1.50	0.25
2	To what level has audit planning affected financial management of Busia district local government	132	1	5	1.30	0.29
3	To what level do audit control system affect financial management of Busia district local government	132	1	5	1.60	0.21
4	To what level does audit compliance affect financial management of Busia district local government?	132	1	5	1.95	0.20

Source primary data 2017

Respondents were required to state what would be the effect between internal audit on financial management of Busia district local government and the findings indicated a mean of 1.50 which implied that majority agreed to this statement. The standard deviation of these responses was 0.25 which indicated that respondents had varying responses on the statements. This implies that at planning level, all methods of audit at the district level has been identified regularly for better service delivery both at local level and the entire district level. Additionally, respondents noted that internal auditing involves a review of reliability and integrity of financial and operating information, and controls which is employed to safeguard assets, as an assessment of employees' compliance with management policies, procedures and applicable laws and

regulations, in regard to evaluation of the efficiency and effectiveness with which management achieves as the District goals and objectives.

The research wanted to state about what level has audit planning affected financial management of Busia district local government and the findings indicated a mean of 1.30 which implied that the majority agreed to the statement. Standard deviation was 0.29 which implied that respondents had varying views on the statement. This means that much as the majority agreed to the statement, some local council disagreed because at local government level, planning is based on the resources that the district owns. However, Catherine, et al (2005) in their study noted that internal audit, employee attitude and financial performance of organizations do not find significant relationship between them in other words financial performance is dependent on many complex factors that work in a system of pattern and therefore hard to single out one major determinant factor.

Respondents were required to state about what level audit control systems affect financial management of Busia district local government. The findings indicated a mean of 1.60 which implied that the majority of the respondents agreed to the statement and a standard deviation of 0.21 which implied that the respondents had varying views on the statement. Majority of the respondents indicated that the auditor general has been in line to make sure all financial activities are audited before and after the use of any government money for goods and services. Additionally, Chambers (2000) noted that proper management of public finance requires an independent audit function to monitor collection and use of finance and ensure compliance of the financial controls. He further observes that that the internal audit function is to check on the effectiveness of financial controls and stop any doubtful expenditure that may lead to loss of funds through fraud, forgery and theft among others.

The researcher also wanted to establish whether audit compliance affects financial management of Busia district local government. The findings indicated a mean of 1.95 which implied that a big number of the respondents agreed to the statement and a standard deviation of 0.20 which implied that the respondents had varying views on the statement. This means that financial management is concerned with the raising and allocation of resources within the firm. By this audit compliance and, financial management plays a key role in ensuring that the goal of the firm is realized through the competence of the auditors.

4.6 Conclusion

This chapter presented, discussed and interpreted the findings as collected during the study. Both correlation analysis showed that there was a relationship between the internal audit and financial management of public institutions in Uganda.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This final chapter covers a summary of findings in chapter four based on the study objectives. They are presented in sections of the summary of findings, conclusion and recommendations derived from the study findings concerning internal audit and financial management.

5.1 Summary findings

The findings revealed that majority of the respondents in Busia District local government, were males with a percentage of 71.21%. The findings further discovered that majority of the employees attained Degrees with 35.6% and finally 28.5% had worked with Busia District local government for a period between 6-10 years. The study was guided by the following specific objectives; Examine the effect of audit planning on the financial management of public institutions in Uganda, to examine the effect of audit control system on the financial management of public institutions in Uganda and finally to examine the effect of audit compliance on the financial of public institutions in Uganda. Research data was collected using questionnaires and analyzed using SPSS version 16.

5.1.1 Audit Compliance on Financial Management of Public Institutions

The findings revealed that there is a positive and significant relationship between Audit compliance and financial management of public institutions represented Pearson determinant of 0.522. From the analysis the study established that professional competence of internal auditor affects financial management of public institutions in Uganda to a great extent. This established that measures that can enhance the efficiency of auditors are important for effective fraud detection, in most government institutions, frauds are identified by the internal

audit function, fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the financial management of Busia District local government. Therefore, the study established that auditors in the organization are qualified to undertake audit function.

5.1.2 Internal Control System on Financial Management of Public Institutions

Findings revealed that there is a positive and a significant relationship between internal control system and financial management represented Pearson determinant of 0.480 meant that internal control system affects financial management positively meaning that the internal control system audit is responsible for the audit of all financial transactions by carrying out a continuous examination of all accounting books and records maintained in Busia District local government council with a view to checking or detecting fraud and correcting errors. It is concerned with the examination of the system and procedures in place to ensure their conformity with the regulation as well as the adequate system of internal control.

5.1.3 Audit Planning on Financial Management of Public Institutions

Findings revealed that there is a positive and significant relationship between audit planning and financial management with a Pearson determinant value of 0.503. This implies that an emphasis on audit planning will improve and enhance financial management of Busia District Local government activities implying that effective financial management requires the application of planning and analytical techniques to accommodate the risk and uncertainty that are inevitable in future-oriented decisions. Risk is taken no matter what the decision; even the decision to do nothing involves the risk of lost opportunity.

5.2 Study conclusion

Generally, the study revealed that there was greater variation in financial management activities of Busia District local government due to changes in internal audit

planning, professional competency and internal control systems; this shows that changes in financial management of Busia District local government could be accounted for by changes in regard to audit planning, internal control system and audit compliance. The study also established that there was a strong positive relationship between internal audit and financial management of public institutions.

The study concluded that internal audit is regarded as the key element in the application of accounting systems and this in turn, helps in evaluating the work of the department. The internal audit is considered as the backbone of the business accounting as it is the section that records all businesses related to the sector. The efficiency of internal audit helps develop the work of Busia District Local Government because the financial reports reflect the internal audit department's quality. In addition, an internal audit is considered as a significant part of cooperate governance structure in the organization and cooperate governance covers the activities of oversight by the board of directors and audit committees to ensure credible financial reporting process within the district activities.

The results of this study shows that the more internal audit is competent, organizationally independent, exposed to training and development, the more likely the function can help improve the financial activities of Busia District local government. Also, the results demonstrate that management support towards internal audit is central to the quality of the function and its contribution to performance. These findings are consistent with those of Ali et al. (2012) who assert that the more support internal audit receives from management; the more the function can undertake procedures that affect organizational progress. However, internal audit quality of work though positive was not significantly related local government performance.

The study concluded that the overall management system as being internal audit planning is the major mechanism to ensure sound corporate governance. The existences of effective audit planning in the office links with internal control risk management system, improves organizational efficiency and effectiveness, reduce information asymmetry during decision making, and ensures internal reliability of financial reporting process. By taking this aspect into consideration, this study was identified factors that determine the audit planning effectiveness in the public sector offices and then analyzed the organizational dimensions in which the public sector office should carry out to enhance financial management activities.

5.3 Recommendation

There is need for the internal auditors to continuously update themselves with the changing times and technologies and sharpen their skills. By applying skills to the most critical points, building personal and professional credibility and recognizing as well as responding to the needs, internal auditors can become indispensable thus speeding good governance and enhancing efficiency of internal audit within Busia District Local Government.

The management of Busia District Local Government should keep organizing seminars and workshops whereby these internal auditors would be trained frequently by experts either internally or externally. Internal Auditors must have sufficient proficiency and training to carry out the tasks assigned to them. The auditor's work must be carefully directed, supervised and reviewed. The amount of supervision required corresponds to the experience and skill of the auditor.

The head of the internal audit department should be responsible to the management/board in the District with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

The management of Busia District Local Government should also procure the latest information system audit software's. This would enhance fast delivery of services and detection of frauds or any mischief in this field. Internal auditors should be fully trained on how to use the software's and fresher courses should also be increased in this regard. Frequent upgrading of the software's should be done to keep abreast with the changing technology.

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APPENDICES

Appendix I: QUESTIONNAIRE

Dear respondent,

I am OJAMBO KARIMU a student of Uganda Martyrs University pursuing a bachelor's degree in science accounting and finance. As part of my academic requirement, I am carrying out research on a topic **“To examine the role of internal audit on financial management of public institutions in Uganda”** with a case study Busia District Local Government. You have therefore been purposively identified as a resourceful person in providing the required information. The purpose of this research is purely academic and the information you give will be anonymously treated with confidentiality.

SECTION A: Background Information

1. Sex: a) Male b) Female

2. Level of academic qualification

a) Certificate b) Diploma

c) Degree d) Masters e) PHD

3. Years worked in Busia District local government

a) Less than 2 years b) 6-10 years c) Above 10 years

In the section below, you are required to give your opinion on a scale of 1 for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for strongly agree.

Section B

Audit compliance

What is your level of agreement with the following statements that relate to Audit compliance on financial management (1-strongly agree, 2- agree, 3-neutral, 4-disagree, strongly disagree)

Statements	1	2	3	4	5
In local governments budgets frauds are identified by the internal audit function					
Measures that can enhance the efficacy of auditors are important for effective fraud detection					
conscientiousness correlates with task performance just as strongly as cognitive ability					
The auditors in Busia district are qualified to undertake audit function					
Fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect and they affect the financial management of Busia local government					

Internal Controls systems

What is your level of agreement with the following statements that relate to internal controls systems and financial management? (1-strongly agree, 2- agree, 3-neutral, 4-disagree, strongly disagree)

Statement	1	2	3	4	5
Controls audits in the organization have features built into them to ensure that fraudulent truncations are flagged or made difficult to transact					
intentional errors are concentrated in relatively few audits and these are fairly predictable by industry					
The lack of segregation of accounting and custodian functions hinders fraud detection and reporting					
cash receipts bear fairly strong controls					
firms that disclose an internal control problem experience a significant increase in market-adjusted cost of capital					
the greater the degree of competition, the greater would be the need to control costs					

9. To what extent does an internal audits planning affect the financial management in public

What is your level of agreement with the following statements that relate to internal audit planning and financial management? (1-strongly agree, 2- agree, 3-neutral, 4-disagree, strongly disagree)

Statement	1	2	3	4	5
performing auditing work according to internal auditing planning contributes significantly influence the effectiveness of auditing					
complying with professional standards is the most important contributor to IA's added value					
Standards for audits and audit-related services influence the financial management of Busia district local government					
formal auditing standards recognise that internal auditors also provide services regarding information other than financial reports					
auditors to carry out their role objectively and in compliance with accepted criteria for professional practice					
internal audit planning evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach in the financial management					

10: Internal Audit and Financial Management

What is your level of agreement on the following statements relating to the internal audit on financial management

	Statement	Scores				
		1	2	3	4	5
1	What is the effect of internal audit on financial management of Busia district local government					
2	To what level has audit planning affected financial management of Busia district local government					
3	To what level do audit control system affect financial management of Busia district local government					
4	To what level does audit compliance affect financial management of Busia district local government?					

THANK YOU

Appendix II: Letter of Research authorization from the Faculty of Business Administration and Management, Uganda Martyrs University

Uganda
Martyrs
University

making a difference



**Office of the Dean
Faculty of Business Administration and Management**

Your ref.:
Our ref.:

Nkozi, 22nd March 2017

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

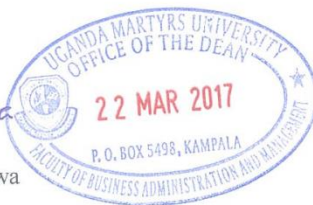
This is to introduce to you **Ojambo Kalimu**-----who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Accounting and finance of the University, the student is required to submit a field based study work which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

Mr. Edward Segawa
Associate Dean



Appendix III: Krejcie& Morgan table for determining sample size

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: “N” is population size

“S” is sample size.

From : Krejcie, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”, Educational and Psychological Measurement, 1970.

Appendix III: letter of recommendation to carry out research from Busia District local government

Tel: District Chairperson 0454-448851
Chief Administrative Officer 0454-443112
Chief Finance Officer: 0454-443114
General line



THE REPUBLIC OF UGANDA

BUSIA DISTRICT LOCAL GOVERNMENT
P.O. Box 124
BUSIA - UGANDA

any correspondence on
is subject please quote No. **CR/164/1**

Department: Administration

Date: August 14, 2017

TO WHOM IT MAY CONCERN

ADMISSION FOR ACADEMIC RESEARCH OF MR. OJAMBO KALIMU

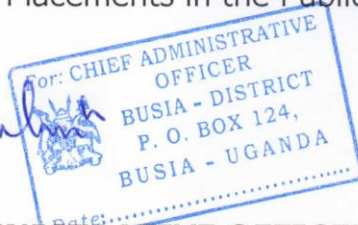
The above named person has been offered an opportunity to undertake Academic Research in Busia District Local Government.

During the period of research, he will be attached to Busia District Local Government.

Your attention is drawn to Section J-f of the Uganda Government Standing Orders and Circular Standing Instruction No. 3 of 2011, relating to Academic Research Placements in the Public Service.

Egesa Anthony

For: CHIEF ADMINISTRATIVE OFFICER



Copy to:

- Associate Dean
UGANDA MARTYRS UNIVERSITY.