

**EFFECT OF INTERNAL AUDIT ON FINANCIAL PERFORMANCE IN MBALE DISTRICT
LOCAL GOVERNMENT**

NELSON KAMOTI

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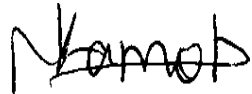


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DECLARATION

I **Kamoti Nelson**, hereby declare that this research report has been written out of my own efforts. It has never been submitted to any institution of higher learning for any award.

A handwritten signature in black ink that reads "Kamoti Nelson". The signature is written in a cursive, slightly slanted style.

Signature: Date:7/JULY/2024

APPROVAL

This is to certify that this Research Report has been completed under my supervision and submitted for approval and further examination for the award of a Master of Business Administration of Uganda Christian University



Supervisor's Name: Dr. Aaron Ayeta Mulyanyuma

Signature: 

University Supervisor

DATE: 28/JUNE/2024

DEDICATION

I dedicate this research report to my family and the Arlington Academy of Hope Fraternity for their tireless motivation throughout the entire study period and especially during this research project.

ACKNOWLEDGEMENT

My great gratitude goes to God the Almighty who has enabled me to successfully complete this wonderful exercise.

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LIST OF ACRONYMS

AAERs	Accounting and Auditing Enforcements Releases
MDLG	Mbale District Local Government
NDP II	Second National Development Plan
GAAP	Generally Accepted Accounting Principles
SPSS	Statistical Package for the Social Sciences
GoU	Government of Uganda
IIA	Institute of Internal Auditors

ABSTRACT

This study was to examine effect of internal audit on financial performance in Mbale District Local Government. The study was guided by the following research objectives: To examine the effect of compliance audit on financial performance in Mbale District Local Government. To assess the effect of value for money audit on financial performance in Mbale District Local Government. To establish the effect of forensic audit on financial performance in Mbale District Local Government. This research was undertaken to establish the effect of internal audit on financial performance of Mbale district local government. The study adopted a descriptive research design and both qualitative and quantitative approaches were used as a way of triangulation. The population of study of 113 was selected from a study population of 160 using Krejcie and Morgan table (1970). The study findings showed that all the three dimensions that included compliance audit, value for money and forensic audit have a statistically significant effect on financial performance of Mbale District Local Government. In conclusion, the study conducted on the Mbale District Local Government in Uganda found that compliance audit, value for money, and forensic audit all have a statistically significant effect on financial performance. It is recommended that: The results suggest that effective financial management practices, including compliance with laws and regulations, maximizing value for money, and preventing and detecting fraudulent activities, can positively impact the financial performance of local governments. These findings align with previous research on financial performance in local governments in Uganda, which has highlighted the importance of effective financial management and accountability mechanisms. It is essential for local governments to prioritize financial management and adopt comprehensive approaches to improving financial performance, including strengthening institutional capacity, enhancing accountability mechanisms, and improving revenue mobilization.

CHAPTER ONE

INTRODUCTION

1.0. Introduction

This chapter presents the background to the study; the problem statement; purpose of the study; specific objectives, research questions, conceptual framework, significance of the study, justification of the study, scope and operational definitions of key terms.

1.1. Background to the Study

Financial performance is a critical component of local government operations in Uganda. The effective management of financial resources is crucial for achieving sustainable development and improving the quality of life for citizens. Local governments in Uganda are responsible for delivering a range of services to their communities, including health care, education, infrastructure, and social services. According to a study by Kibwika et al. (2018), financial performance in local governments in Uganda has been a major challenge, with many local governments experiencing financial management problems, including inadequate revenue collection, poor financial reporting, and weak internal controls. These challenges have contributed to poor service delivery and a lack of accountability in the use of public resources.

The Ugandan government has taken steps to improve financial performance in local governments through various policies and initiatives. For example, the government introduced the Local Government Financial Management and Accountability (LGAFMA) program in 2013, which aimed to strengthen financial management and

accountability in local governments. The LGAFMA program provided training and capacity building for local government officials in areas such as financial reporting, budgeting, and revenue collection.

Despite these efforts, challenges still remain in improving financial performance in local governments in Uganda. A study by Tugume et al. (2021) found that inadequate funding, weak institutional capacity, and political interference are significant barriers to improving financial performance in local governments. The study recommended the need for a comprehensive approach to addressing these challenges, including strengthening institutional capacity, enhancing accountability mechanisms, and improving revenue mobilization. A study by Oyet and Egesa (2018) identified the role of local government officials in improving financial performance. The study found that local government officials who were knowledgeable about financial management and had strong leadership skills were more likely to improve financial performance. The study recommended the need for continuous training and capacity building for local government officials to enhance their financial management skills. Financial performance remains a significant challenge for local governments in Uganda. While various policies and initiatives have been introduced to improve financial management and accountability, challenges such as inadequate funding, weak institutional capacity, and political interference still hinder progress. Strengthening institutional capacity, enhancing accountability mechanisms, and improving revenue mobilization are necessary for improving financial performance in local governments in Uganda.

Compliance audit is a critical component of financial management in local governments in Uganda, as its primary objective is to ensure adherence to legal and

regulatory requirements governing financial management (Kibwika et al., 2018). Despite its importance, the effect of compliance audit on financial performance in local governments in Uganda has received limited attention in the literature, highlighting the need for further research in this area.

According to Odong and Mirembe (2018), "Value for Money Audit (VFM) is a process that seeks to determine whether public resources have been used efficiently, effectively, and economically to achieve the intended objectives" (p. 11). In the context of local governments in Uganda, Value for Money audit aims to improve financial performance by identifying areas where financial resources are being wasted or not used appropriately.

The effects of Value for Money Audit on financial performance in Uganda is the case of the Mbale District Local Government. According to a report by the Inspectorate of Government (2017), the Mbale District Local Government conducted a Value for Money Audit in 2015, which identified areas of inefficiency and waste in public spending. The local government took corrective actions based on the Value for Money Audit findings, which resulted in improved financial management and better financial performance. For instance, the local government was able to reduce the cost of fuel by 38% by introducing fuel rationing and reducing the use of government vehicles. This resulted in a saving of UGX 200 million, which was used to finance other priority areas in the district. Value for Money Audit has positive effects on financial performance in local governments in Uganda. The audit promotes improved financial management, increased accountability, improved service delivery, and enhanced transparency, all of which contribute to better financial performance.

Forensic audit is a specialized type of audit that aims to detect and prevent fraudulent activities in organizations, including local governments. It involves a systematic and detailed examination of financial records, transactions, and documents to identify irregularities, discrepancies, and other evidence of fraud or financial misconduct (Hidayat, 2020).

The Institute of Internal Auditors (IIA) states that the purpose of internal audit is to assess and enhance an organization's risk management, control, and governance processes. If any of these areas are weak, the organization's reputation with stakeholders may be compromised. While some organizations worldwide are required to have internal audit, American municipalities are not mandated to do so. The internal audit function is primarily a deterrent, which makes it difficult to quantify its benefits objectively. This means that municipal leaders should understand the conceptual nature of the internal audit function before making decisions about allocating resources. The consequences of reducing or eliminating the internal audit function may not be apparent until sometime after funding decisions have been made. It is important to emphasize the importance of internal audit in evaluating and enhancing an organization's risk management, control, and governance processes. The role of internal audit as a deterrent helps to identify weaknesses and prevent fraud and other irregularities. However, the lack of measurable benefits makes it challenging to justify the cost of internal audit to some organizations, such as American municipalities that are not required to have it. Municipal leaders need to appreciate the conceptual nature of internal audit to make informed decisions about resource allocation. This research emphasizes the significance of internal audit and the need for additional studies to fully comprehend its effects on organizational performance (Carl, 2013).

According to Kiamba (2008), the financial performance of local authorities in Kenya is affected by several factors, including their political composition, the way internal audits are carried out, and the management approaches employed by the chief officers. This is further related to the councils' failure to regularly evaluate their performance, inadequate coordination between internal and external assurance providers, and high staff turnover and transfers within the top management of the councils. These findings are consistent with previous research on corporate governance. There is need to emphasize the importance of good governance practices in achieving optimal financial performance for local authorities in Kenya. The political composition of these authorities, as well as how they conduct internal audits and manage their resources, all have an impact on their financial performance. Additionally, a lack of regular performance assessments and inadequate coordination between internal and external assurance providers can hinder financial performance. This echoes findings from earlier research on corporate governance, which highlight the importance of effective governance practices for improving financial performance in organizations. It is important to underscore the need for local authorities in Kenya to adopt sound governance practices to enhance their financial performance.

Bugembe (2018) study's results demonstrated that control activities have a strong and beneficial correlation with financial performance. Control activities encompass policies and procedures that are intended to ensure that management directives are successfully executed. These policies and procedures provide guidance for prompt responses, which help in accomplishing the organization's objectives and goals. The research findings suggest that dependable accountability, adherence to rules and regulations, and timely actions have a positive influence on financial performance. In simpler terms, the study shows that implementing policies and procedures to ensure

management directives are carried out properly has a positive impact on an organization's financial performance. When organizations have reliable accountability, follow rules and regulations, and take prompt actions, they are more likely to achieve their objectives and goals, leading to better financial performance. The findings of this study emphasize the importance of control activities in improving financial performance. Organizations should prioritize the implementation of control activities, such as policies and procedures, to ensure that management directives are executed efficiently. By doing so, they can improve accountability, compliance, and timely actions, which can lead to better financial performance.

The Government of Uganda is dedicated to enhancing service delivery to all its citizens, as evident through several initiatives that aim to bring services closer to the people. From the fiscal year 2015/16, the Government began implementing reforms to enhance the financing of Local Governments (LGs) to fulfill their legal mandates. The reforms aim to ensure that the resources provided to Local Governments are equitably distributed to meet local needs and national priorities, while being accounted for properly (GoU, 2018). It is important to note that the Ugandan government is determined to improve the way it provides services to its citizens by implementing initiatives that bring services closer to the people. As part of this effort, the government has reformed the financing of Local Governments to ensure that resources are allocated fairly to meet local needs and national priorities, while also being properly accounted for. These reforms aim to enhance the effectiveness and efficiency of service delivery to citizens.

Lunkuse (2019) found a noteworthy association between internal auditing and financial performance, non-financial performance, and managerial performance. As a

result, Local Governments should conduct internal auditing to enhance their financial, non-financial, and managerial performance, as well as overall performance. The study discovered a robust positive correlation of 0.75, implying that internal auditing has a significant positive influence on the overall performance of Local Governments in Uganda. The regression analysis showed that a unit change in internal auditing improves the performance of Local Governments by 85%. Consequently, the study recommends putting more emphasis on internal auditing since it promotes organizational performance. Furthermore, there is a need to recruit additional human resources personnel in the internal auditing field to enhance the entity's performance, and it is crucial to emphasize budget and planning for departments to facilitate control measures and enable proper financial reporting in Local Governments.

Alinaitwe (2011) has explained that there is a positive relationship between the variables of the study, and the performance of Local Governments has been reasonably satisfactory. The study also found that the internal audit function in Local Governments was performing fairly well. However, the fair performance was due to the lack of complete independence of internal auditors, inappropriate internal controls, and management's reluctance to implement the recommendations of the internal auditor. To enhance performance, district management should limit politicians' influence on the internal auditor's work, review and evaluate internal controls to prevent manipulations, and establish or strengthen disciplinary measures regarding the manipulation or override of these controls. The study implies that internal audit plays a critical role in financial management in Local Government entities, such as Mbale District Local Government. To support this claim, the section will use existing literature, statistics, and references to explore the impact of internal audit on financial performance in Mbale District Local Government. The findings will highlight the

importance of effective internal audit practices in promoting financial performance in Local Governments.

Alinaitwe's (2011) study establishes the importance of the internal audit function in promoting the financial performance of Local Governments. The study's findings indicate that the fair performance of the internal audit function is due to limitations in independence, inappropriate internal controls, and management's reluctance to implement recommendations. These limitations highlight the need to enhance the internal audit function to support financial performance.

Knechel and Salterio (2016) define internal audit as a process that involves evaluating an organization's operations and identifying areas that require improvement. The process includes assessing financial and non-financial systems, procedures, and policies to ensure alignment with the organization's objectives. The authors highlight that internal audit plays a critical role in promoting accountability, transparency, and efficiency in financial management. These factors are essential for achieving financial performance in organizations. Knechel and Salterio's (2016) definition of internal audit emphasizes the importance of the process in evaluating an organization's operations and identifying areas that need improvement. The authors highlight that internal audit promotes accountability, transparency, and efficiency in financial management, which are crucial for achieving financial performance. The definition highlights the significance of effective internal audit practices in organizations.

Several studies have demonstrated that internal audit positively affects financial performance in organizations. For instance, Alzeban and Gao (2017) investigated the impact of internal audit on financial performance in Saudi Arabian firms and found that it had a significant positive impact, particularly in reducing financial risk and

improving the quality of financial reporting. Similarly, Shahid, Akbar, and Waheed (2018) examined the relationship between internal audit and financial performance in Pakistani banks. The study showed that internal audit had a significant positive effect on financial performance, particularly in terms of improving profitability, asset quality, and risk management. The results of these studies indicate that effective internal audit practices can significantly enhance the financial performance of organizations. By improving financial reporting quality, reducing financial risks, and enhancing risk management, internal audit can help organizations achieve better financial outcomes. Thus, organizations should prioritize and invest in their internal audit functions to ensure that they operate effectively and efficiently, leading to better financial performance.

According to data, internal audit is a critical factor that contributes significantly to financial performance. For instance, in 2017, the Institute of Internal Auditors (IIA) conducted a survey which revealed that 92% of organizations with effective internal audit functions experienced improved financial performance. The survey further highlighted that organizations with effective internal audit functions experienced fewer instances of fraud and other financial irregularities, leading to improved financial performance. These statistics emphasize the importance of internal audit in promoting financial performance in organizations. By implementing effective internal audit functions, organizations can achieve better financial outcomes by reducing financial risks, enhancing accountability, and improving the quality of financial reporting. Thus, it is crucial for organizations to prioritize internal audit and invest in it to promote financial performance.

A study by Lunkuse (2019) found a significant relationship between internal auditing and financial performance in local governments in Uganda. The study revealed that internal auditing had a strong positive impact on the overall performance of local governments in Uganda, with a positive change in performance by 85% for every unit change in internal auditing. However, there is a lack of research on the effect of internal auditing on financial performance specifically in Mbale District Local Government. Alinaitwe (2011) also found that the internal audit function in local governments was not entirely independent, leading to inappropriate internal controls and management's reluctance to attend to the recommendations of internal auditors. This study highlights the need for improved internal audit functions in local governments, including Mbale District Local Government, to enhance financial performance.

1.2. Statement of the Problem

Financial performance in Mbale District Local Government is on the decline. The Auditor General Reports for the last three financial years (2018/19, 2019/2020 and 2020/2021) and District Annual Financial Report (2021) indicate a drastic fall or decline in district financial performance. According to the Auditor General's report for the financial year 2019/2020, Mbale District Local Government incurred a deficit of 2.8 billion Uganda shillings, which was attributed to inadequate revenue collection and high expenditure on salaries and wages (Office of the Auditor General, 2020). This deficit indicates a need for better financial management and performance in Mbale District Local Government. There is low quality of financial reports; late or delayed submission of quarterly financial reports to Ministry of Finance, Planning and Economic Development, Kampala; late preparation of Budget Framework Papers by

departments for on-ward submission to Ministry of Finance, Planning and Economic Development, Kampala; late submission of Programme Based System reports; late or no response to issues raised in internal Audit management letters; and delayed retirement of advances by beneficiary district staff. This situation has affected district general performance and delayed or poor service delivery. Financial performance is a crucial aspect of any organization, including Mbale District Local Government. However, there is a lack of comprehensive research on the factors that affect financial performance in Mbale District Local Government, leading to challenges in understanding and improving financial performance. There was need therefore to carry out this study to examine effect of internal audit on financial performance in Mbale District Local Government.

1.3. Main Objective of the Study

The main objective of the study was to examine effect of internal audit on financial performance in Mbale District Local Government.

1.4. Specific Objectives of the Study

The study was guided by the following research objectives:

- i. To examine the effect of compliance audit on financial performance in Mbale District Local Government.
- ii. To assess the effect of value for money audit on financial performance in Mbale District Local Government.
- iii. To establish the effect of forensic audit on financial performance in Mbale District Local Government.

1.5. Research Questions

The study was guided by the following research questions:

- i. What is the effect of compliance audit on financial performance in Mbale District Local Government?
- ii. What is the effect of value for money audit on financial performance in Mbale District Local Government?
- iii. What is the effect of forensic audit on financial performance in Mbale District Local Government?

1.6. Scope of the Study

The scope of the study covered three areas that included: content scope, time scope and geographical scope as explained below:

1.6.1. Content Scope

The study aimed to investigate the impact of internal audit records on financial performance in Mbale District Local Government. Specifically, the study examined whether internal audit records have influenced financial performance with regards to the quality of financial reports, local revenue performance, and timely submission of financial reports to the Ministry of Finance, Planning, and Economic Development in Kampala.

1.6.2. Time Scope

This research project utilized financial records from the Mbale District Local Government for a period of three consecutive financial years (2018/19, 2019/20, and

2020/21) as the reference period. The study relied on secondary sources of data, including relevant district financial records, to address the research questions.

1.6.3. Geographical Scope

This research was conducted in Mbale District Local Government, with a focus on all departments within the local government. Mbale District shares borders with several other districts including Sironko District to the north, Bududa District to the northeast, Manafwa District to the southeast, Tororo District to the south, Butaleja District to the southwest, and Budaka District to the west. Additionally, Pallisa District and Kumi District are located to the northwest of Mbale District. The district is situated at coordinates 00 57N, 34 20E and covers an area of 518.8 square kilometers (200.3 square miles).

1.7. Significance of the Study

The study is aimed to shed light on the relationship between internal audit and financial performance in Mbale District Local Government, a crucial aspect of financial management that has not been extensively researched in the Ugandan public sector. The study findings can provide useful insights into the effectiveness of internal audit practices and identify areas of improvement in order to enhance financial performance.

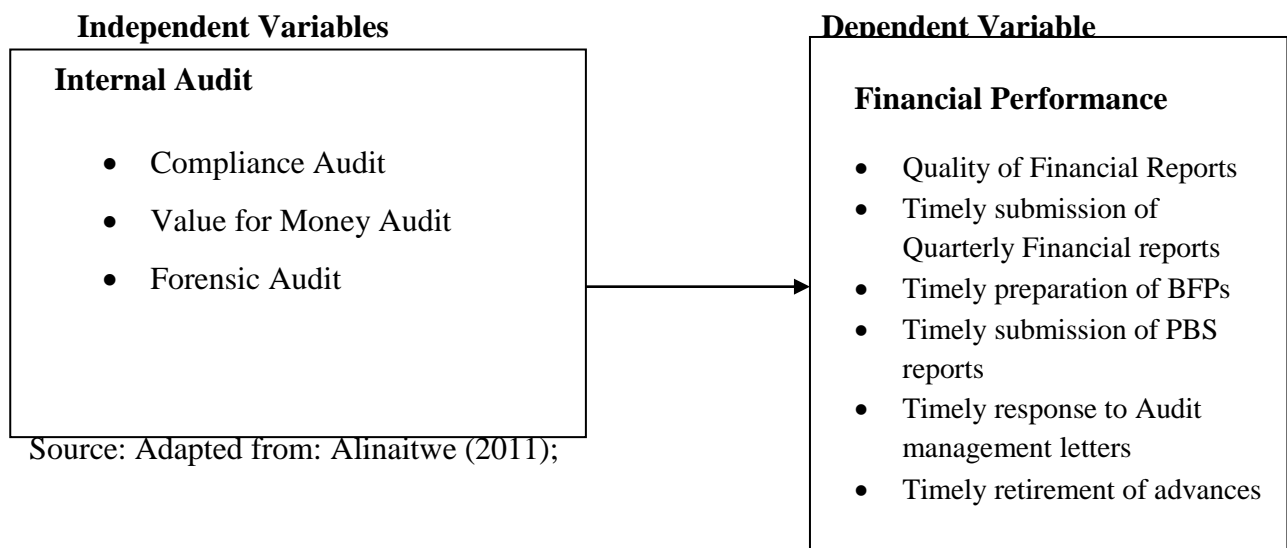
The study intends to create a new framework for further research in the field of internal audit and financial performance in Local Governments, which can be used as a basis for future studies in this area. This can help to advance knowledge and understanding of the subject and contribute to the development of best practices for internal audit in public sector organizations in Uganda.

The study recommendations can be useful for relevant authorities in organizations to evaluate and improve existing internal audit practices in the public sector. This can help to strengthen and support the internal audit department, which plays an important role in resource utilization and management.

The study findings can guide policy makers and leaders to investigate other factors that affect financial performance in Local Governments, which can inform the development of policies and strategies to improve financial performance.

Finally, the study is an academic requirement for the researcher to be awarded a Master of Business Administration degree from Uganda Christian University, which can contribute to the researcher's professional and personal development.

1.8. Conceptual Framework



Source: Adapted from: Alinaitwe (2011); Bugembe (2018); Lunkuse (2019) and modified by the student, 2021).

Figure 1: the conceptual framework showing the relationship between Independent Variable and Dependent variable. The Independent variable (Internal Audit) was

measured in terms compliance audit, value for money audit and forensic audit. While dependent variable (financial performance) was measured in terms of: quality of Financial Reports; timely submission of Quarterly Financial reports; timely preparation of BFPs; timely submission of PBS reports; timely response to Audit management letters; and timely retirement of advances.

1.10. Operational Definition of Terms

Compliance Audit: A compliance audit is a comprehensive review of an organization's adherence to regulatory guidelines. Audit reports evaluate the strength and thoroughness of compliance preparations, security policies, user access controls and risk management procedures over the course of a compliance audit.

Financial Performance: When calculating financial performance, there are seven critical ratios that are extensively used in the business world to assist and evaluate a company's overall performance. Financial performance has the following measure: Gross Profit Margin, Working Capital, Current Ratio, Inventory Turnover Ratio, Leverage, Return on Assets, and Return on Equity.

Forensic Audit: A forensic audit is an examination and evaluation of a firm's or individual's financial information for use as evidence in the court of law. A forensic audit can be conducted in order to prosecute a party for fraud, embezzlement or other financial claims.

Internal Audit: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

Value for Money Audit: An independent evidence-based investigation which examines and reports on whether economy, effectiveness and efficiency has been achieved in the use of public funds.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter presents a review of theoretical and empirical literature related to the effects of internal audit on financial performance of Local Governments. The reviewed literature is presented as sub-themes according to research objectives to answer the research question of why this study.

2.1. Theoretical Framework

Internal audit is an essential function in organizations that provides independent, objective assurance and consulting services aimed at improving the effectiveness of risk management, control, and governance processes. One of the critical areas that internal audit focuses on is financial performance. Financial performance is the measure of how well an organization is utilizing its resources to achieve its objectives. This theoretical framework seeks to explore the importance of internal audit in ensuring sound financial performance in organizations. The role of internal audit in financial performance has been extensively studied in literature. According to the Institute of Internal Auditors (IIA), internal audit plays a critical role in evaluating an organization's financial performance by providing independent assurance on the effectiveness of the financial control environment (IIA, 2013). In essence, internal audit ensures that the organization's financial management systems are effective, efficient, and comply with relevant laws and regulations. Internal audit has also been shown to play a critical role in enhancing the effectiveness of financial reporting. According to Naser et al. (2012), internal audit helps to ensure that the financial

statements are accurate, reliable, and transparent. This is achieved through the evaluation of the financial management systems, identification of risks, and testing of the financial information. As such, internal audit helps to enhance the credibility of financial reporting, which is critical in maintaining the confidence of stakeholders. Moreover, internal audit has been shown to play a crucial role in identifying and addressing fraud and financial irregularities. As noted by Bishop and Hermanson (2014), internal audit is well positioned to identify potentially fraudulent activities and ensure that appropriate measures are taken to mitigate the risks. Internal audit achieves this by evaluating the adequacy of the internal control systems, performing risk assessments, and investigating suspected fraudulent activities. Internal audit plays a crucial role in ensuring sound financial performance by evaluating the effectiveness of financial management systems, enhancing the credibility of financial reporting, and identifying and addressing fraud and financial irregularities.

2.2. Effect of Compliance Audit on Financial Performance in Local Governments

Compliance audit is an important aspect of financial management in local governments in Uganda. The objective of compliance audit is to ensure that local governments comply with legal and regulatory requirements governing financial management. Despite the importance of compliance audit, little is known about its effect on financial performance in local governments in Uganda. According to Adome (2017), compliance audit ensures that local governments comply with legal and regulatory requirements governing financial management. Compliance audit is therefore critical in promoting accountability and transparency in financial management, which are essential for achieving financial performance. However, the effectiveness of compliance audit is challenged by a number of factors such as

inadequate skills, inadequate information, inadequate funds, and improper communication flow.

A study by Ongera and Mutai (2018) found that compliance audit has a significant positive impact on financial performance in local governments in Kenya. The study revealed that compliance audit leads to improved financial management practices and better utilization of resources. However, the study Ongera and Mutai (2018) limits itself to Kenya which has a different work environment from that of Uganda more especially Mbale DLG and hence there was a need to undertake this research to close the contextual gap. Another study by Mwebaze and Namusobya (2019) in Uganda found that compliance audit helps in identifying weaknesses in financial management practices and ensures that corrective measures are taken to address them. This study does not provide a detailed account of how compliance audit helps in identifying weaknesses in financial management more so in the eras of reporting in Mbale district local government. Statistics from a survey by the Office of the Auditor General in Uganda (2018) showed that only 35% of local governments had effective compliance audit systems in place. This indicates a need for further investigation into the effect of compliance audit on financial performance in local governments in Uganda. This survey is based on quantitative findings and hence the results may be biased thereby creating the need to undertake this study by focusing on both quantitative and qualitative aspects to help close the methodology gap.

Adome (2017) argues that a well-functioning internal audit system requires competent and well-trained auditors. The findings showed that challenges facing the internal audit system included a lack of human capacity (28.8%), limited competence resulting from difficulties in professionalization (17.8%), and inadequate communication

between auditors and managers (20%). The study concluded that political interference, corruption, conflict of interest, inadequate skills, insufficient information, inadequate funding, and poor communication were major challenges to internal audit and financial performance in Sheema Local Government. Therefore, the study recommended that employees in local governments should follow departmental work plans to improve the effectiveness of auditing. The study highlights the importance of having competent and well-trained auditors for a functional internal audit system. The findings also shed light on the challenges faced by the internal audit system in promoting accountability in the use of public resources, which can have a significant impact on financial performance. The study's recommendations emphasize the need for local government employees to follow departmental work plans to improve auditing effectiveness. These recommendations could be useful for local governments and policymakers in addressing challenges faced by the internal audit system and promoting better financial performance in the public sector.

According to Kalemeera (2018), there was a very significant positive relationship between internal control environment and the financial performance (72.4%), a very strong positive significant relationship between internal control monitoring and financial performance (84.7%), and a moderate significant positive relationship between internal control activities and financial performance (48.5%). The lessons learnt were that even though policies are in place and not known by all staff, their implementation may be stagnated, also without a strong participatory management, the tone of the entire control environment is degraded, however, without proper segregation of tasks all through the control sphere, the control activities are doomed to fail and thus poor financial performance. Consequently the recommendations were that Uganda Management Institute should constantly review her policies, Uganda

Management Institute should embrace the modern Information Communication Technology controls to guide in monitoring of accounts receivables and accounts payables, Uganda Management Institute should optimally utilize her resource envelop by sticking to budgets and also decentralizing the services of the quality assurance and the planning, monitoring and evaluation departments to school level, enhancing continued training of the finance and accounts personnel in order to devise means of managing accounts receivables and accounts payables. In the long run management should ensure constant feedback and two-way communications in cases of management letter and on other periodic reports produced by heads of departments and the internal and external audit team to sustain organizational learning.

2.3. Effects of Value for Money Audit on Financial Performance in Local Governments

Value for Money (VFM) audit is a process that seeks to determine whether public resources have been used efficiently, effectively, and economically to achieve the intended objectives. In the context of local governments in Uganda, Value for Money audit aims to improve financial performance by identifying areas where financial resources are being wasted or not used appropriately (Ekeu, 2019).

Value for Money (VFM) audit is a crucial process that aims to determine whether public resources have been used efficiently, effectively, and economically to achieve intended objectives (Omondi & Ambe, 2021). In the context of local governments in Uganda, VFM audit is essential in improving financial performance by identifying areas where financial resources are being wasted or not used appropriately. Previous studies have shown that VFM audit positively affects financial performance in local governments. For instance, a study by Ekeu (2019) on the impact of internal audit on

the performance of local governments in Cameroon found that VFM audit significantly improves financial performance. However, this study was based on quantitative data to reach its conclusion meaning that there was a methodology gap since qualitative views of the respondents were not considered. This study addressed this by deploying a mixed approach of both qualitative and quantitative data. Similarly, a study by Mutebi and Asimwe (2017) on the effect of internal audit on financial management in local governments in Uganda found that VFM audit positively affects financial management practices. Examples of VFM audit in local governments in Uganda include an audit of procurement processes to ensure that the best value is obtained for goods and services, and an audit of revenue collection to ensure that all revenue due to the local government is collected and accounted for properly. However, the study was carried out in 2017 implying that the findings by Asimwe (2017) might have been overtaken by events and this created a need for a fresh study to be carried.

Value for Money audit can lead to improved financial management in local governments in Uganda. According to Odong and Mirembe (2018), Value for Money audit provides an opportunity for local governments to review their financial management systems and identify areas that need improvement. For example, Value for Money audit can help local governments to identify inefficiencies in their procurement processes, such as overpriced goods and services, and take corrective measures to address them. This can lead to cost savings and improve financial performance.

Value for Money audit can increase accountability in local governments in Uganda. According to Nakayenga et al. (2020), Value for Money audit provides an

independent assessment of financial performance, which can help to identify areas of financial mismanagement or fraud. This can help to hold public officials accountable for their actions and ensure that public resources are used for their intended purposes. For example, Value for Money audit can help to identify cases of ghost workers or fraudulent payments, leading to the recovery of misappropriated funds.

Value for Money audit can lead to improved service delivery in local governments in Uganda. According to Tuhumwire and Tusiime (2018), Value for Money audit can help local governments to identify areas where they can improve service delivery while using fewer resources. For example, Value for Money audit can help to identify inefficiencies in the delivery of health services, such as duplication of services or underutilization of health facilities. This can help to improve service delivery and lead to better health outcomes for the community. The findings by Tuhumwire and Tusiime (2018) tend to focus on service delivery and nothing is mentioned about how VFM affects financial performance and hence the need for this study was eminent to fill this gap.

According to Odong and Mirembe (2018), "Value for Money Audit (VFM) is a process that seeks to determine whether public resources have been used efficiently, effectively, and economically to achieve the intended objectives" (p. 11). In the context of local governments in Uganda, Value for Money audit aims to improve financial performance by identifying areas where financial resources are being wasted or not used appropriately.

Value for Money audit can increase transparency in local governments in Uganda. According to Mwesigwa et al. (2020), Value for Money audit provides an opportunity for local governments to disclose information about their financial performance to the

public. This can help to build public trust and confidence in the government and promote accountability. For example, local governments can publish Value for Money audit reports on their websites, making them accessible to the public. Value for Money audit can have several positive effects on financial performance in local governments in Uganda, including improved financial management, increased accountability, improved service delivery, and increased transparency. Therefore, it is essential for local governments in Uganda to embrace Value for Money audit as a tool for improving financial performance and promoting accountability.

Value for money has been defined as a utility derived from every purchase or every sum of money spent. Value for money is based not only on the minimum purchase price (economy) but also on the maximum efficiency and effectiveness of the purchase. The concept of Value for Money (VfM) in everyday life is easily understood as “not paying more for a good or service than its quality or availability justify”. In relation to public spending, it implies a concern with economy (cost minimization), efficiency (output maximization) and effectiveness (full attainment of the intended results). It must also support the value of equity. In an attempt to provide a standard for defining and measuring value for money, 3 E’s – economy, efficiency and effectiveness, were initially introduced and later a fourth E (equity). It is not the intention of this article to define the 4 E’s, but to explore how the 4 E’s can be deployed in the public sector (Mwangi, 2021).

The Government of Uganda introduced Intergovernmental Fiscal Transfer (UgIFT) reforms to increase adequacy in financing decentralized health and education services; improve equity in financing decentralized health and education sector services through the transfer system; and ensure efficiency of LG financing and fiscal

management of resources for service delivery. The UgIFT programme is implemented across all local governments, which currently stand at 121 districts and 41 Municipal Councils. As part of this program, a Value for Money (VFM) audit was required to be conducted twice, first for the Financial Year 2017/18 expenditures (as a baseline) and second for the Financial Year 2020/21 expenditures (end term) in health and education sectors in the participating Local Governments. The objective of this audit was to assess the economy, efficiency and effectiveness with which Local Governments have utilized their investments in the delivery of infrastructure and services in the education and health sectors for the Financial Year (FY) 2017/18. A limitation to the Value for Money (VFM) assessment was majorly poor record keeping in the institutions. Notwithstanding the above limitation, the main objective of the baseline Value for Money audit/assessment was achieved, that is, to assess the economy, efficiency and effectiveness with which Bukwo District Local Government had utilized its investments in the delivery of infrastructure and services in the education and health sectors during the Financial Year (FY) 2017/18 (GoU, 2019).

Lunkuse (2019) argues that there is a strong positive correlation of 0.75; this means that internal auditing has a strong positive impact on the overall performance of local governments in Uganda and the regression analysis gave evidence that there is a positive change in the performance of local governments in that a unit change in internal auditing improves the performance of local governments by 85%.The study recommended that more emphasis should be put on internal auditing as results indicate that it promotes organizational performance, there is need to recruit more human resource personnel in the field of internal auditing to improve the performance of the entity since internal auditing promotes organizational performance and that

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

According to Agaba (2019), there is a significant relationship between internal auditing and financial performance, non-financial performance and managerial performance. Therefore, Local governments should carry out internal auditing in order to improve their financial, non-financial and managerial performances and the entire performance in general. The study suggested that more emphasis should be put on internal auditing as results indicate that it promotes organizational performance, there is need to recruit more human resource personnel in the field of internal auditing to improve the performance of the entity since internal auditing promotes organizational performance and that there is need to emphasize on the budget and planning for departments to control measures and enable proper financial reporting in Local governments.

A research study carried out by Ddumba (2019) revealed that Adjusted R Square of .483 indicates that 48.3% of the changes in financial performance were due to changes in internal auditing. The findings also revealed a significant correlation between internal auditing and revenue performance, value for money and service delivery. Local governments that had effective and adequate internal controls over revenues, complied with relevant laws and regulations, and had safeguards over their assets recorded high revenues, good value for money, and improved service delivery. Therefore, a robust internal auditing system leads to improved financial performance. The study recommended continuous professional development for internal audit staff and introducing rotational placements of audit staff across different local governments to reduce threats to their independence. However, the study was based on quantitative

data and qualitative views of the respondents were ignored and hence this created a need for this study to be carried out while using both qualitative and quantitative data to help fill the methodology gap.

2.4. Effects of Forensic Audit on Financial Performance in Local Governments

Forensic audit is a specialized type of audit that involves the investigation of financial irregularities, fraud, and other legal disputes. Local governments are not immune to financial mismanagement and fraud, and forensic audit can help to uncover financial irregularities and prevent future occurrences. Several studies have investigated the effects of forensic audit on financial performance in local governments. According to Kiprono and Nyamongo (2016), forensic audit has a significant positive effect on financial performance in local governments. The authors noted that forensic audit helps to detect financial irregularities and fraud, which in turn leads to improved financial performance. The study does not clearly indicate how forensic audits have specifically impacted financial performance in MDLG and hence there was need to carry out this study. Similarly, Okoye and Ezike (2018) found that forensic audit significantly improves financial accountability and transparency in local governments, leading to better financial performance.

A study conducted by Akindele et al. (2019) in Nigeria found that forensic audit significantly improves the financial performance of local governments. The study used a sample of 88 local governments in Nigeria and found that forensic audit had a positive effect on financial performance, as measured by revenue generation, expenditure control, and debt management. This study findings are based in Nigeria and these may have a very small application to Mbale DLG and hence this study.

Forensic audit refers to the investigation and analysis of financial records and transactions to identify and prevent fraudulent activities. In recent years, there has been an increase in the use of forensic audit in local governments to improve financial accountability and transparency.

According to AICPA (2017), forensic accounting is defined as the application of accounting principles, investigative techniques, and legal theories to identify and analyze fraudulent activities. Forensic audit is one of the key elements of forensic accounting, which involves a detailed investigation of financial records to identify fraud, embezzlement, or other financial irregularities. Research conducted by Ali and Tarek (2015) in Egypt shows that forensic audit has a significant positive effect on financial performance. The study found that forensic audit improves financial transparency, accountability, and reduces the incidence of fraudulent activities.

Forensic audit is a type of audit that focuses on investigating financial irregularities, fraud, and mismanagement in an organization. In Nigeria, local governments are required to conduct forensic audit to ensure that public funds are used efficiently and effectively. The study by Ogunmokun and Ogunmokun (2017) examined the effects of forensic audit on financial performance in local governments in Nigeria. The study found that forensic audit significantly improves financial performance in local governments. According to the study, forensic audit helps to identify financial irregularities and mismanagement, which can be corrected to improve financial performance. Specifically, the study found that forensic audit leads to the following effects on financial performance: Forensic audit helps to identify weaknesses in financial management systems and practices. By identifying these weaknesses, local governments can take corrective actions to improve financial management, which can

result in better financial performance. Forensic audit increases accountability in local governments by detecting financial irregularities and mismanagement. This promotes transparency and reduces the risk of corruption and fraud, which can improve financial performance. Forensic audit helps to detect and prevent financial fraud and mismanagement, which can result in financial losses for local governments. By reducing financial losses, local governments can improve their financial performance.

The effects of forensic audit on financial performance in Nigeria is the case of the Kwara State Local Government. According to a report by Premium Times (2018), the Kwara State Local Government conducted a forensic audit, which identified financial irregularities and mismanagement in the local government. The audit revealed that the local government had accumulated a debt of N30.2 billion, which was largely due to mismanagement of public funds. The forensic audit led to the recovery of N5.4 billion from contractors who had been paid for projects that were either poorly executed or not executed at all. The recovery of these funds helped to reduce the debt burden on the local government, which improved its financial performance. Forensic audit has positive effects on financial performance in local governments in Nigeria. The audit promotes improved financial management, increased accountability, and reduced financial losses, all of which contribute to better financial performance. A study by Fakoya and Olowookere (2019) in Nigeria found that forensic audit has a positive effect on financial performance in local governments. The study found that there was a significant improvement in financial performance after the implementation of forensic audit. The study also found that forensic audit improves financial transparency and accountability in local governments.

According to Mokhtar, Ahmad, and Mamat (2020), "Forensic audit significantly improves financial performance in local governments by identifying financial irregularities, which can be corrected to improve financial performance" (p. 129). The study also found that forensic audit improves financial transparency and accountability in local governments. Mokhtar, Ahmad, and Mamat carried out a study in 2020 in Malaysia and found that forensic audit significantly improves financial performance in local governments. The study found that forensic audit helps to identify financial irregularities, which can be corrected to improve financial performance. The study also found that forensic audit improves financial transparency and accountability in local governments.

Forensic audit is becoming increasingly popular in local government administration in Uganda due to its potential to enhance transparency, accountability, and good governance. According to Kiwanuka et al. (2017), forensic audit is the process of investigating financial records, transactions, and accounting systems to identify any fraudulent activities. It helps to uncover any fraudulent activities, embezzlement, or other financial irregularities in local governments, and thereby promotes financial accountability.

Okello and Anguria (2020) found that "forensic audit has a significant positive effect on the financial performance of local governments in Uganda by improving financial management and reducing corruption, resulting in better financial performance" (p. 45). Studies have shown that forensic audit has positive effects on financial performance in local governments. Their study in 2020 in Uganda found that forensic audit has a significant positive effect on the financial performance of local

governments. The study revealed that forensic audit improves financial management and reduces corruption, resulting in better financial performance.

A study by Kakande and Walusimbi (2019) found that forensic audit improves financial performance in local governments. The study found that forensic audit helps to improve financial transparency, accountability, and reduces the risk of fraudulent activities in local government administration in Uganda. Another study by Busingye and Ninsiima (2019) examined the impact of forensic audit on financial performance in local governments in Uganda. The study found that forensic audit improves financial performance by identifying financial irregularities and mismanagement, which can be corrected to improve financial performance. In addition, forensic audit also helps to build public trust in the financial management of local governments.

According Kiwanuka, Namuyiga, and Muhumuza (2017), "forensic audit is an important tool for building public trust in the financial management of local governments by promoting financial transparency and accountability, thereby enhancing the credibility of local government administration in Uganda" (p. 37). Forensic audit is an important tool for building public trust in the financial management of local governments. It helps to promote financial transparency and accountability, and thereby enhance the credibility of local government administration in Uganda.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter contains a detailed description of the research methodology that will be used in the study. It includes the research design, study population, sample size, sampling techniques, research methods, research instruments, data quality control that is validity and reliability data processing and analysis and ethical considerations.

3.1 Research Design

The study adopted a descriptive research design and both qualitative and quantitative approaches were used as a way of triangulation to enhance the quality of the findings of the study (Amin, 2005). The design was used because it is a method of investigation in which self-report data collection from samples of pre-determined interests can be done (Creswell, 2008). The quantitative methods established quantifiable data, while qualitative methods were used to establish effects of internal audit on financial performance in Mbale District Local Government.

3.2 Study Population

The study population of 160 comprised of: Chief Administrative Officer, Chief Finance Officer, Principal Internal Auditor, Senior Internal Auditors, Internal Auditors, Principal Commercial Officer, Senior Commercial Officer, Senior Revenue Officer, Revenue Officer, Heads of Departments, Members of Finance Committee, Senior Accounts Assistants, Senior Assistant Secretaries and Principal Parish Chiefs.

3.3 Sample Size Determination

The sample of 113 was selected from a study population of 160 using Krejcie and Morgan table (1970). The researcher chose this sample because a sample is practical, smaller and therefore manageable than the whole population (Kothari, 2010). The researcher therefore used Krejcie and Morgan 's table (1970) to come up with the sample size.

Table 3.1: Sample size and determination

Population description	Population (N)	Sample size	Sampling technique
Chief Administrative Officer	01	01	Census
Chief Finance Officer	01	01	Census
Principal Internal Auditor and Internal Auditors	03	02	Census
Senior Revenue Officer	01	01	Census
Heads of Departments	11	07	Purposive sampling
Senior Accounts Assistants	19	14	Simple random sampling
Senior Assistant Secretaries	16	11	Simple random sampling
Members of Finance Committee	40	28	Simple random sampling
Principal Parish Chiefs	68	48	Simple random sampling
Total	160	113	

Source: Mbale District Local Government Human Resource Report: 2022

3.4 Sampling Techniques:

According to Amin (2005), sampling is a process of selecting elements from the population in such a way that the sampled elements represent the population under

study. This research therefore used both purposive and simple random sampling techniques. The details of how each technique was used are discussed below:

3.4.1 Purposive Sampling Technique

This is a non-probability sampling method whereby a researcher selects a number of objects that have features of interest from the given population to form part of the sample (Ramsey & Hewitt, 2005). This research purposively selected Chief Administrative Officer, Chief Finance Officer, Principal Internal Auditor, Senior Internal Auditors, Internal Auditors, Senior Revenue Officer and Revenue Officer.

3.4.2 Simple Random Sampling

This is a probability technique of sampling whereby every element of the population has an equal chance and independent chance of being selected for the sample (Amin, 2005). The continuing Heads of Department, Senior Accounts Assistant, Senior Assistant Secretaries and Principal Parish Chiefs were selected using this technique, because it was too difficult for the researcher to use the whole population.

3.4.3 Census

The study also selected respondents because of their small numbers in their respective categories as advised by Kothari (2011).

3.5 Data collection Methods

Data collection is the process of gathering and measuring information on targeted variables in an established systematic fashion which enables one to answer relevant questions and evaluate outcomes while methods vary by discipline.

Questionnaire Survey

The researcher used a survey method to collect data from staff in Finance Department using a questionnaire tool. This method was used because survey methods ensure that all respondents are asked the same questions and are exposed to the same response options for each question. Since questions were preset and organized in a particular arrangement, the researcher assured that every respondent was asked to respond to questions that address the complete range of information objectives driving the research study. This tool was used to collect quantitative data for analysis.

3.5.1 Interview Method

The researcher used an interview method to collect qualitative data from respondents. The interview method involved presentation of oral-verbal stimuli and reply in terms of oral- verbal responses (Kothari, 2004). It involved face -to- face verbal exchanges between the researcher and the respondents. The researcher asked specific questions pertaining to the research objectives and ensured that the respondents restrict their answers to those questions. This method was used to collect data from the Chief Administrative Officer, Chief Finance Officer, Senior Revenue Officer, Revenue Officer, Principal Internal Auditor and Internal Auditors. The answers to the questions posed during the interview will be written down during the interview. This method was used by the researcher because it offered the opportunity to restructure questions which could generate data on aspects that could have been left out in the interview guide through probing.

3.6 Research Instrument

The study used the following instruments for data collection:

3.6.1 Questionnaire

The study used a questionnaire as the main research instrument. The close ended questionnaire was preferred as an instrument of research because it is self-administered, has identical set of items for all respondents, produced fewer errors, ensure confidentiality as respondents were free from the influence of the researcher and respondents had the chance to answer in their convenient time. This research instrument was chosen because it is highly suitable where respondents find it easy to answer and allowed the researcher to easily identify the main concerns of the respondents. The format was used because it was simple- multiple-choice by which respondents chose one from among the given alternatives. The required responses were based on a five – point Likert scale with 5 intervals: (1 = Strongly Disagree, 2 = Disagree 3 = Neutral, 4 = Agree, and 5 = Strongly Agree).

3.6.2 Interview Guide

For qualitative data, the researcher used an interview guide targeting key informants for discussions. These were employed to get opinions from the targeted population which generalizations were applicable to the entire country. Interviews were employed targeting key informants because they had the technical information regarding the matter in question and these included; Chief Administrative Officer, Chief Finance Officer, Principal Internal Auditor, Senior Internal Auditor, Senior Revenue Officer and Revenue Officer.

3.7. Data Quality Control

Reliability and validity were important qualities of research and must always be considered for effective data quality control.

3.7.1 Validity of Instruments

Validity is the extent to which the instruments used during the study measure the issues they are intended to measure (Amin, 2005). To ensure validity of instruments, the instruments were developed under close guidance of the supervisor. After the questions were designed, they were pre-tested to a tenth of the nurses in the sample. This helped to identify ambiguous questions in the instruments and be able to re-align them to the objectives.

3.7.2 Reliability

Reliability is the extent to which the measuring instruments will produce consistent scores when the same groups of individuals are repeatedly measured under the same conditions (Amin, 2005). The study administered one type of questionnaire to senior and junior district staff using Cronbach reliability test, Alpha values of 0.753 were attained implying that the tool was suitable for to be used in the study. Besides, most authorities accept the minimum alpha value of 0.5.

3.9 Data analysis and presentation

3.9.1 Quantitative data analysis

Quantitative data analysis entailed categorizing and summarizing data in order to find answers to the research questions. Quantitative data was analyzed by using statistical tools to reduce the data, summarize it and make the most important facts and relationships apparent. Quantitative data from both the questionnaires and interviews was subjected to statistical analysis using the Statistical Package for Social Sciences (SPSS). Questionnaires were checked and edited in the evenings after each day's work to check for consistency and accuracy. Responses were then entered into the

computer after all the fieldwork and was edited and coded. Answers for open and close-ended questions were listed and assigned numbers through developing categories and assigning corresponding value labels to each question which information was then coded. Data was analyzed using the Statistical Package for Social Sciences (SPSS) software programme. This programme was used because it enabled simultaneous testing of a large number of variables. The data was then presented using percentages and frequencies. The tables were used to facilitate report writing.

3.9.2 Qualitative data analysis

The qualitative data in this study was analyzed through data reduction, editing and categorizing into themes that were in line with the objectives of the study. The bulk of the analysis is interpretative to enable the researcher to discover concepts and relationships in the raw data. Data was analyzed by making explanations and summaries. For key informant interviews discussions, responses were analyzed, tabulated and coded. Data was presented using themes under study and also using content analysis.

3.10 Ethical Considerations

First and foremost, the researcher sought permission from the people/respondents and gave them reasons for conducting the interview. In this case respondents were allowed the right to or not to participate in the interview. Respondents were informed that their honest opinions were welcome and confidentiality was maintained where they were not quoted without their permission. This helped to create confidence between the respondents and the interviewer who tried, as much as possible, to use friendly language.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.0 Introduction

This chapter presents the analysis and interpretation of data collected from respondents on the effect of internal audit and financial performance in Mbale District Local Government. Total of (110) questionnaires were issued and 104 questionnaires were received (95%) were collected to the researcher. The researcher was able to follow up the questionnaire from the respondents. This was done through persistent check-up and enduring moment that has made it possible. The presentation was organized around the demographic characteristics and the research questions which guided the study and the result is presented below.

4.1. Demographic Characteristics of Respondents

Demographic data of respondents involved establishing the gender, age of respondents, level of education, working experience, Department and position held by respondents and the findings are detailed below:

4.1.1 Gender of Respondents

This sub section focused on the gender of the respondents and this categorized into male and female as presented in table 4.1.1.1 below;

Table 4.1.1.1: Showing Gender of Respondents

Gender of Respondents	Frequency	Percentage
Male	48	46.2
Female	56	53.8
Total	104	100

Source: Primary data, 2022

The findings revealed that female staff were the majority 56(53.8%) compared to their male counterparts who were 48 represented by 46.2%. This means that MDLG employed more females than the males. However, the fact that both genders participated, balanced views were obtained from both genders and hence giving a clear picture of financial performance at the district.

4.1.2: Age of Respondents

This sub section focused on the age of the respondents in terms of number of years as presented in the table below;

Table 4.1.2.1: Showing Age of Respondents

Age of Respondents	Frequency	Percentage
21-30	9	8.7
31-40	55	52.9
41-50	37	35.6
51 and above	3	2.9
Total	104	100

Source: Primary data, 2022

Age of the respondents varied (Table 4.1.2.1). Respondents ranging from the age of 31-40 years had the highest percentage of 55(52.9%) followed by those who were between 41-50 years with a percentage of 35.6%. Respondents aged between 21-30 years were nine (9) represented by 8.7%. Respondents who were 51 and above years were only 3 represented by 2.9%. This implies that the majority of staff in in Mbale District Local Government are in the Age bracket of 31-40 years, meaning that the majority of staff handling finance related functions are mature and can made independent decisions concerning their departments.

4.1.3: Education Level of Respondents

This sub section presents data regarding the education level of the respondents in terms of certificate, diploma, degree and Post graduate. Data collected in regard to this was analysed and presented in the table below;

Table 4.1.3.1: Showing Age of Respondents

Education level of Respondents	Frequency	Percentage
Certificate	1	1.0
Diploma	50	48.1
Degree	49	47.1
Postgraduate/Full CPA	4	3.8
Total	104	100

Source: Primary data, 2022

The education level of respondents also varied and it ranged from Certificate to Postgraduate/ Full Chartered Institute of Professional Accountants (CPA) qualifications (Table 4.1.3.1). Respondents with Diplomas were the majority represented by 48.1% followed by respondents with Bachelor’s Degrees who were

represented by 47.1%. Respondents with Postgraduate/Full Chartered Institute of Professional Accountants qualifications had a percentage representation of 3.8% whereas those with Certificates had the lowest (1.0%) percentage representation. This implies that people with Diplomas in Mbale District Local Government are the majority due to the entry requirement for Senior Accounts Assistant. Then the representation with bachelors is an upgrade from Assistant position to Officer Level in Government of Uganda Standing Orders 2010. Those with Postgraduate/Full Chartered Institute of Professional Accountants (CPA) qualifications are a job requirement for any Senior Level position that requires one to have a Postgraduate Diploma in Financial Management, Master of Business Administration and a registered member of Chartered Institute of Professional Accountants. Finally certificates are only 1% because the position of Accounts Assistant are being phased by government.

4.2: Status of Financial Performance in Mbale District Local Government

This section presents data concerning the dependent variable (financial performance) basing on a five-point likert scale. Data was collected, analysed and presented in the table below;

Table 4.2.1: showing status of Financial Performance in Mbale District Local Government

Construct	SD	D	N	A	SA	Mean	SD	Comments
Mbale District submit quality Financial Reports to Ministry of Finance, Planning and Economic Development	11(10.6)	53(51.0)	00	31(29.8)	9(8.7)	2.750	1.237	Low
Mbale District submit timely Quarterly Financial reports to Ministry of Finance, Planning and Economic Development	10(9.6)	43(42.3)	00	46(44.2)	5(4.8)	2.933	1.201	Low
Mbale District prepare and submit Budget Framework Papers (BFPs) to Ministry of Finance, Planning and Economic Development	9(8.7)	44(52.9)	00	37(35.6)	3(2.9)	2.942	1.189	Low
Mbale District prepare and upload the budget on Program Budgeting System (PBS) in time	09(8.7)	58(55.8)	00	36(34.6)	5(4.8)	2.712	1.129	Low
Mbale District provides timely response to Audit management letters	5(4.8)	58(55.8)	00	36(34.6)	5(4.8)	2.789	1.121	Low
Mbale District staff provide timely retirement of advances	6(5.8)	92(88.5)	00	6(5.8)	00	2.067	.537	Low
Overall Mean						2.699	1.324	Low

Source: Primary data, 2022

Considering whether Mbale District submit quality Financial Reports to Ministry of Finance, Planning and Economic Development, 64(61.6%) of respondents disagreed with the opinion that Mbale District submit quality Financial Reports to Ministry of Finance while 38(38.5%) of the respondents agreed (Table 4.2.1). The calculated mean ($\mu = 2.750$, Standard deviation = 1.237) indicates that Mbale District submits quality Financial Reports to Ministry of Finance, Planning and Economic Development is at a low level.

In an interview with the Head of Finance when asked whether Mbale District submits quality Financial Reports to Ministry of Finance, Planning and Economic Development and he had this to say:

We follow the specified format provided by Ministry of Finance, Planning and Economic Development for submitting financial reports which ensure provision of accurate and complete information. It requires submission of all the required supporting documents such as receipts, invoices, and bank statements. Ensure that these documents are properly labeled and organized. The submission of reports has specific timelines, deadlines for submitting financial reports. We try to submit the report before the deadline to avoid any penalties. The reports are submitted every quarter, bi-annual and end of financial year.

When respondents were asked to give their opinion about whether Mbale District submits timely Quarterly Financial reports to Ministry of Finance, Planning and Economic Development, 53(51.9%) of respondents disagreed with the opinion that Mbale District submits timely Quarterly Financial reports to Ministry of Finance, Planning and Economic Development while 51(49%) of respondents agreed. The calculated mean ($\mu = 2.933$, standard deviation = 1.201) shows that Mbale District submits timely Quarterly Financial reports to Ministry of Finance, Planning and Economic Development is at a low level.

When the respondents were demanded to give their view about whether Mbale District prepares and submits Budget Framework Papers (BFPs) to Ministry of Finance on time, 53(61.6%) of the respondents disagreed with the assertion that Mbale District prepares and submits Budget Framework Papers (BFPs) to Ministry of Finance on time while 40(38.5%) of the respondents agreed with the opinion. The calculated mean $\mu = 2.942$, standard deviation = 1.189) indicate that Mbale District prepares and submits Budget Framework Papers (BFPs) to Ministry of Finance on time is at a low level.

When respondents were asked to give their opinion about whether Mbale District prepares and uploads the budget on Program Budgeting System (PBS) in time, 67(64.5%) of the respondents were in disagreement with the view while 41(39.4%) of the respondents agreed with the opinion that Mbale District prepares and uploads the budget on Program Budgeting System (PBS) in time. The calculated mean (2.712, standard deviation = 1.129) also indicates that Mbale District prepares and uploads the budget on Program Budgeting System (PBS) in time is at a low level. In an interview with the District Planner when asked whether Mbale District prepares and uploads the budget on Program Budgeting System (PBS) in time she had this to say:

Most often guidelines are issued to guide the budgeting process and we try to follow. The heads of departments are tasked to prepare Budget Framework Papers which are discussed in various committees of council and from which the annual budget estimates are prepared and approved by Council. The Program Budgeting System (PBS) helps the heads of departments to upload the budget estimates on the Integrated Financial Management System. If council approves the Budget Framework Papers and budget estimates in time, it is easy to upload it early on Program Budgeting System but any delay will affect the exercise. But as Mbale district, we are always ahead of time except in few incidences.

When respondents were asked to give their opinion about whether Mbale District provides timely response to Audit management letters, 63(60.6%) of the respondents disagreed with the opinion while 41(39.4%) of the respondents agreed with the opinion. The calculated mean ($\mu = 2.789$, standard deviation = 1.121) elaborates that Mbale District's provision of timely response to Audit management letters is at a low level.

In an interview with the Clerk to Council who coordinates activities of Local Government Public Accounts Committee when asked whether Mbale District provides timely response to Audit management letters she had this to say:

Audit queries arise every time expenditures are made and most often individual officers delay to provide complete accountabilities and issues are noted by Internal Audit Department and sometimes Auditor General in their annual audit exercise. The Local Government Public Accounts Committee on quarterly basis summons the affected individuals to come in formal meetings to explain and provide evidence of complete accountability of funds recovered.

When respondents were asked to give their opinion about whether Mbale District staff provides timely retirement of advances, 98(94.3% of the respondents disagreed with the view and only 6(5.8) of the respondents agreed with the opinion. The calculated mean ($\mu = 2.067$, standard deviation = .537) emphasizes that Mbale District staff provision of timely retirement of advances is at a low level.

The overall mean is (2.699) implying that Financial Performance in Mbale District Local Government is at a low level.

4.3: Effect of Compliance Audit in Mbale District Local Government

This section presents data regarding compliance audit in Mbale DLG. The data was subjected to analysis and resulting output presented in the table below;

Table 4.3.1: Showing responses on Compliance Audit in Mbale District Local Government

Construct	SD	D	N	A	SA	Mean	SD	Comment
Approved District Budget Annual Estimates in place	00	00	00	63(60.6)	41(39.4)	4.394	.491	Very high
Mbale District submits Annual District Budget Estimates to MoFPED in time	00	00	1(1.0)	63(60.6)	40(38.5)	4.375	.506	Very high
Annual District Work plan approved and submitted to MoFPED	1(1.0)	00	00	62(59.6)	41(39.4)	4.365	.592	Very high
Mbale District prepares and submits Annual District Procurement plan to MoFPED and PPDA in time	00	1(1.0)	00	63(60.6)	40(38.5)	4.365	.541	Very high
Mbale District ensure that fully filled performance contracts are submitted to MoLG	00	00	1(1.0)	64(61.5)	39(37.5)	4.365	.504	Very high
Mbale District prepares and submit Quarterly PBS reports to MoFPED in time	00	5(4.8)	00	62(59.6)	37(35.6)	4.259	.697	Very high
All books of Accounts posted and verified by Internal Auditors	00	1(1.0)	00	76(73.1)	27(26.0)	4.240	.493	Very high
All advances received by staff retired before new payments are made	1(1.0)	70(76.3)	00	25(24.0)	8(7.7)	2.702	1.087	Low
All issues raised in internal Audit reports responded to by concerned staff	00	19(18.3)	00	77(74.0)	8(7.7)	3.712	.855	High
All local revenues collected as planned and budgeted by the district	00	2(1.9)	00	92(88.2)	10(9.6)	4.058	.414	Very high

Internal Audit schedule followed and complied with by management	1(1.0)	00	00	95(91.3)	8(7.7)	4.048	.403	Very high
Overall Mean						4.080	.598	High

Source: Primary data, 2022

When respondents were asked to give their view about whether Mbale District has approved District Budget Annual Estimates, all respondents 104(100%) were in agreement that Mbale District has approved District Budget Annual Estimates (Table 4.3.1). The calculated mean ($\mu = 4.394$, standard deviation = .491) indicating that Mbale District has approved District Budget Annual Estimates, is at a very high level.

When respondents were demanded to give out their view about whether Mbale District submits Annual District Budget Estimates to Ministry of Finance, Planning and Economic Development (MoFPED) in time, the majority of respondents agreed 103(99%) with the opinion that Mbale District submits Annual District Budget Estimates to Ministry of Finance, Planning and Economic Development in time and only 1(1.0%) disagreed (Table 4.3.1). The calculated mean ($\mu = 4.375$, standard deviation = .506) emphasizes that Mbale District submits Annual District Budget Estimates to Ministry of Finance, Planning and Economic Development in time is at a very high level. In an interview with the District Planner when asked whether Mbale District submits Annual District Budget Estimates to Ministry of Finance, Planning and Economic Development (MoFPED) in time she had this to say:

We follow the budget calendar provided by Ministry of Finance, Planning and Economic Development (MoFPED) and we always present the following documents for approval by council before they are submitted to the Ministry: Annual Budget estimates, Annual Work plan, Annual Procurement Plan, Annual Revenue Enhancement Plan, Board of Survey Report and Charging Policy. After approval, the Accounting Officer submits them to Ministry

of Finance, Planning and Economic Development before the set deadline.

When respondents were asked to give their opinion about whether Mbale District has Annual District Work plans approved and submitted to Ministry of Finance, Planning and Economic Development, majority of the respondents 103 (99%) agreed with the opinion that Mbale District has Annual District Work plans approved and submitted to Ministry of Finance, Planning and Economic Development and only 1(1.0%) respondent disagreed with the opinion. The calculated mean ($\mu = 4.365$, standard deviation = .592) shows that Mbale District has Annual District Work plans approved and submission to Ministry of Finance, Planning and Economic Development is at a very high level.

Ninety nine percent of the respondents agreed with the opinion that Mbale District prepares and submits Annual District Procurement plan to Ministry of Finance, Planning and Economic Development and Public Procurement and Disposal of Public Assets Authority (PPDA) in time (Table 4.3.1) and only 1(1.0%) respondent disagreed with the opinion. The calculated mean ($\mu = 4.365$, standard deviation = .541) also elaborate that Mbale District prepares and submits Annual District Procurement plan to Ministry of Finance, Planning and Economic Development and Public Procurement and Disposal of Public Assets Authority (PPDA) in time is at a very high level.

When the respondents were demanded to give their view about whether Mbale District ensures that fully filled performance contracts are submitted to Ministry of Local Government (MoLG), ninety nine percent of the respondents were in agreement and only one percent was not sure whether Mbale District ensures that fully filled performance contracts are submitted to Ministry of Local Government (Table 4.3.1).

The calculated mean $\mu = 4.365$, standard deviation = .504) indicate that Mbale District ensures that fully filled performance contracts submission to Ministry of Local Government is at a very high level.

When respondents were asked to give their opinion about whether Mbale District prepares and submit Quarterly Program Based System reports to MoFPED in time, majority of the respondents 99(95.2%) agreed with the opinion that Mbale District prepares and submit Quarterly PBS reports to MoFPED in time and only 5(4.8%) of the respondents disagreed. The calculated mean ($\mu = 4.259$, standard deviation = .697) shows that Mbale District prepares and submits Quarterly PBS reports to MoFPED in time is at a very high level.

Considering whether all books of Accounts posted and verified by Internal Auditors in Mbale District, the majority of respondents 103(99%) were in agreement with the opinion that all books of Accounts posted and verified by Internal Auditors in Mbale District and only 1(1.0%) respondent disagreed with the opinion that all books of Accounts are posted and verified by Internal Auditors in Mbale District. The calculated mean ($\mu = 4.240$, Standard deviation = .493) elaborate that All books of Accounts posted and verified by Internal Auditors is at a very high level.

When respondents were asked to give their opinion about whether all advances received by staff retired before new payments are made, majority of the respondents 71(77.3%) disagreed with the opinion that all advances received by staff retired before new payments are made and only 33 (31.7%) of the respondents agreed. The calculated mean ($\mu = 2.702$, standard deviation = 1.087) shows that all advances received by staff retired before new payments are made is at a low level.

When the respondents were demanded to give their view about whether all issues raised in internal Audit reports responded to by concerned staff, the majority of respondents 85(81.7%) agreed with the opinion and only 19(18.3%) of the respondents disagreed (Table 4.3.1). The calculated mean $\mu = 3.712$, standard deviation = .855) indicate that all issues raised in internal Audit reports are responded to by concerned staff is at a high level.

When respondents were asked to give their opinion about whether all local revenues collected as planned and budgeted by the district, majority of the respondents 102(97.8%) agreed with the opinion that all local revenues collected as planned and budgeted by the district, and only 2(1.9%) respondent disagreed with the opinion. The calculated mean ($\mu = 4.058$, standard deviation = .414) shows that all local revenues collected as planned and budgeted by the district is at a very high level.

When respondents were asked to give their opinion about whether Internal Audit schedule followed and complied with by management, majority of the respondents 103(99%) agreed with the opinion that Internal Audit schedule followed and complied with by management and only 1(1.0%) respondent disagreed. The calculated mean ($\mu = 4.048$, standard deviation = .403) shows that Internal Audit schedule followed and complied with by management is at a very high level.

Table 4.3.2: Model Summary showing the effect of Compliance Audit on Financial Performance in Mbale District Local Government

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.495 ^a	.245	.238	.61984	.245	33.082	1	102	.000

a. Predictors: (Constant), Compliance Audit

The R square value shows the magnitude by which the independent variable accounts for the change in dependent variable. As seen in Table 4.3.2 above, R square value was 0.245 which translates to 24.5%. This implies that Compliance Audit accounts for 24.5% of Financial Performance in Mbale District Local Government. The P value was 0.000 which is less than the significance level of 0.05; therefore, there was a significant effect of Compliance Audit in influencing Financial Performance in Mbale District Local Government.

4.4. Effect of Value for Money Audit in Mbale District Local Government

Table 4.4.1. Showing Value for Money Audit in Mbale District Local Government

Construct	SD	D	N	A	SA	Mean	SD	Comment
Public funds are economically expended in regard to services provision in the district	00	7(6.7)	00	73(70.2)	24(23.1)	4.096	.704	High
There is efficiency in resource allocation to projects in Mbale District local government	00	11(10.6)	00	78(75.0)	15(14.4)	3.933	.754	High
Services provided by the district are of high quality in relation to funds allocated	1(1.0)	3(2.9)	00	82(78.8)	18(17.3)	4.087	.609	High
The district provides the right quantity of supplies as budgeted by the district	1(1.0)	3(2.9)	2(1.9)	86(82.7)	12(11.5)	4.009	.583	High
The subject matter specialists always certify technical works and supplies before payments	3(2.9)	6(5.8)	1(1.0)	84(80.8)	10(9.6)	3.885	.767	High
There is routine	00	5(4.8)	00	71(68.3)	28(26.9)	4.173	.660	Very high

supervision of works and technical services by responsible officers								
Overall Mean						4.031	0.679	High

Source: Primary data, 2022

When respondents were asked to give their opinion about whether public funds are economically expended in regard to service provision in the district, majority of the respondents 97(93.3%) agreed with the opinion that public funds are economically expended in regard to services provision in the district and those who disagreed were 7 represented by 6.7% (Table 4.4.1). The calculated mean (4.096, standard deviation = .704) shows that public funds are economically expended in regard to services provision in Mbale district is at a high level.

When the respondents were demanded to give their view about whether there is efficiency in resource allocation to projects in Mbale District local government, majority of the respondents 93 (89.4%) agreed with the opinion that there is efficiency in resource allocation to projects in Mbale District local government and those who disagreed were 11 represented by 10.0% (Table 4.4.1). The calculated mean $\mu = 3.933$, standard deviation = .754) indicate that there is efficiency in resource allocation to projects in Mbale District local government is at a high level in Mbale district. In an interview with the District Chief Finance Officer who is the Chairperson of the Budget Committee when asked whether there is efficiency in resource allocation to projects in Mbale District local government he had this to say:

The Ministry of Finance, Planning and Economic Development (MoFPED) provides Indicative Planning Figures for every grant and utilization and allocation of both local revenue and grants. The guidelines are strictly followed and the District Executive Committee issues the Indicative Planning Figures to Departments. The Heads of

Departments prepare Departmental Budget Framework Papers which are presented in various committees of council and finally Budget Conference for review and discussion. The recommendations are taken note of and integrated in the final District Budget Framework Paper which is approved by the Executive Committee before it is submitted to Ministry of Finance, Planning and Economic Development to be integrated in the National Budget Framework Paper which is submitted to Parliament of Uganda as a requirement in the Budget Act 2003.

When respondents were asked to give their opinion about whether services provided by the district are of high quality in relation to funds allocated, majority of the respondents 100 (96.1%) agreed with the opinion that services provided by the district are of high quality in relation to funds allocated and those who disagreed were 4 represented by 3.9%. The calculated mean (4.087, standard deviation = .609) indicates that services provided by the district are of high quality in relation to funds allocated is at a high level.

When respondents were asked to give their opinion about whether the district provides the right quantity of supplies as budgeted by the district, majority of the respondents 98 (94.2%) agreed with the opinion that the district provides the right quantity of supplies as budgeted by the district and those who disagreed were 4 represented by 3.9% while 2(1.9%) respondents were undecided on whether the district provides the right quantity of supplies as budgeted by the district. The calculated mean (4.009, standard deviation = .583) also indicates that the district provides the right quantity of supplies as budgeted by Mbale district is at a high level.

When respondents were asked to give their opinion about whether the subject matter specialists always certify technical works and supplies before payments, majority of the respondents 94 (90.4%) agreed with the opinion that the subject matter specialists always certify technical works and supplies before payments and those who disagreed

were 9 represented by 8.7 % while only 1(1.0%) respondent was undecided on whether the subject matter specialists always certify technical works and supplies before payments. The calculated mean (3.885, standard deviation = .767) indicates that the subject matter specialists always certify technical works and supplies before payments is at a high level.

When respondents were asked to give their opinion about whether there is routine supervision of works and technical services by responsible officers, majority of the respondents 99 (95.2%) agreed with the opinion that there is routine supervision of works and technical services by responsible officers and those who disagreed were 5 represented by 4.8%. The calculated mean (4.173, standard deviation = .660) also indicates that there is routine supervision of works and technical services by responsible officers is at a very high level.

Table 4.4.2: Model Summary showing effect of Value for Money Audit on Financial Performance in Mbale District Local Government

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.567 ^a	.322	.315	.58754	.322	48.343	1	102	.000

a. Predictors: (Constant), value for money audit

The most important value for purposes of the test is the R square value. This is the proportion of variance in the dependent variable (financial performance) which can be explained by one construct (value for money audit). This reveals that value for money audit has a significant effect on financial performance in Mbale District of R Square indicates the Coefficient of Determination which was found to be 0.322

translating to 32.2% which implies that the construct (value for money audit) accounted for 32.2% of financial performance in Mbale District. This implies that value for money audit influences financial performance by 32.2%. The remaining balance can be explained by other factors that are beyond this study.

4.5. Effect of Forensic Audit in Mbale District Local Government

This sub section entails data regarding the forensic audit in Mbale district local government. This was collected and presented in the table below;

Table 4.5.1. Showing effect of Forensic Audit in Mbale District Local Government

Construct	SD	D	N	A	SA	Mean	SD	Comment
The district always institute forensic audit when management suspect fraud	6(5.8)	9(8.7)	2(1.9)	70(67.3)	17(16.3)	3.798	1.009	High
The district has put in place measures to curtail corruption tendencies	00	10(9.6)	00	81(77.9)	13(12.5)	3.932	.714	High
The district has a policy in place to address asset misappropriation	3(2.9)	12(11.5)	00	78(75.0)	11(10.6)	3.789	.887	High
The district has mechanisms to detect financial statement fraud	5(4.8)	6(5.8)	00	74(71.2)	19(18.3)	3.923	.921	High
The district support collect of evidence to punish corrupt officials	00	14(13.5)	84(80.8)	6(5.8)	00	3.789	.746	High
The district always carries out on-spot audit on suspected fraud	00	23(22.1)	00	71(68.3)	10(9.6)	3.654	.932	High
Overall Mean						3.814	0.868	High

Source: Primary data, 2022

When respondents were asked to give their opinion about whether the district always institutes forensic audit when management suspect fraud, majority of the respondents 87(83.6%) agreed with the opinion that the district always institute forensic audit

when management suspect fraud and those who disagreed were 15 represented by 14.5% while 2(1.9%) respondents were undecided on whether the district always institute forensic audit when management suspect fraud. The calculated mean (3.798, standard deviation = 1.009) shows that the district always institutes forensic audit when management suspect fraud is at a high level.

When respondents were asked to give their opinion about whether the district has put in place measures to curtail corruption tendencies, majority of the respondents 94(90.4%) agreed with the opinion that the district has put in place measures to curtail corruption tendencies, and only 10 represented by 9.6% disagreed with the opinion that the district has put in place measures to curtail corruption tendencies. The calculated mean (3.932, standard deviation = .714) also indicates that the district has put in place measures to curtail corruption tendencies, is at a high level.

When respondents were asked to give their opinion about whether the district has a policy in place to address asset misappropriation, majority of the respondents 89(85.6%) agreed with the opinion that the district has a policy in place to address asset misappropriation and those who disagreed were 15 represented by 14.4%. The calculated mean (3.789, standard deviation = .887) shows that the district has a policy in place to address asset misappropriation is at a high level.

When respondents were asked to give their opinion about whether the district has mechanisms to detect financial statement fraud, majority of the respondents 93(89.5%) agreed with the opinion that the district has mechanisms to detect financial statement fraud and those who disagreed were 11 represented by 10.6%. The calculated mean (3.923, standard deviation = .921) shows that the district has mechanisms to detect financial statement fraud is at a high level.

When respondents were asked to give their opinion about whether the district support collection of evidence to punish corrupt officials, majority of the respondents 90(86.6%) agreed with the opinion that the district supports collection of evidence to punish corrupt officials, and only 14 represented by 13.5% disagreed with the opinion that the district has put in place measures to curtail corruption tendencies. The calculated mean (3.789, standard deviation = .746) also shows that the district supports collection of evidence to punish corrupt officials, is at a high level.

When respondents were asked to give their opinion about whether the district always carries out on-spot audit on suspected fraud, majority of the respondents 81(77.9%) agreed with the opinion that the district always carries out on-spot audit on suspected fraud and those who disagreed were 23 represented by 22.1%. The calculated mean (3.654, standard deviation = .932) shows that the district always carries out on-spot audit on suspected fraud is at a high level.

Table 4.5.2. Model Summary showing effect of Forensic Audit on Financial Performance in Mbale District Local Government

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.607 ^a	.368	.362	.56687	.368	59.510	1	102	.000

Predictors: (Constant), Forensic Audit

The most important value for purposes of the test is the R square value. This is the proportion of variance in the dependent variable (financial performance) which can be explained by one construct (Forensic Audit). This reveals that forensic audit has a significant effect on financial performance in Mbale District of R Square indicates the Coefficient of Determination which was found to be 0.368 translating to 36.8% which implies that the construct (Forensic Audit) accounted for 36.8% of financial performance in Mbale District. This implies that Forensic Audit influences financial

performance by 36.8%. The remaining balance can be explained by other factors that are beyond this study.

A correlation and a multiple regression were run to determine the relatedness of the three independent constructs (compliance audit, value for money audit and forensic audit) and their overall effect on Financial Performance in Mbale District Local Government. The results are presented in the following tables. The results in Table 4.5.2 revealed that all the three constructs are strongly correlated with Financial Performance in Mbale District Local Government.

Table 4.5.3: Multiple Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-1.869	.622		3.008	.003	-3.103	-.636
1 Objective1	.470	.147	.259	3.189	.002	.178	.763
Objective2	.437	.157	.268	2.779	.007	.125	.748
Objective3	.427	.136	.317	3.151	.002	.158	.696

Dependent Variable: DV

When a multiple regression was analyzed, the findings revealed that compliance audit increased to .002 translating to 2% which implies that the construct (compliance audit) accounted for 2% of Financial Performance in Mbale District Local Government. The results for value for money audit increased to .007 translating to 7% which implies that the construct (value for money audit) accounted for 7% of Financial Performance in Mbale District Local Government. Finally, the results for forensic audit increased to .002 translating to 2% which implies that the construct (forensic audit) accounted for 2% of Financial Performance in Mbale District Local Government.

CHAPTER FIVE

DISCUSSION AND INTERPRETATION OF FINDINGS

5.0. Introduction

This chapter discusses and interprets the findings while examining the extent to which the studies succeed to satisfy its objectives. The findings were triangulated with other studies and sources to strengthen and confirm the findings. The chapter further discusses and explains the results and their relationship to the set research questions as presented in chapter four.

5.1. Status of Financial Performance in Mbale District Local Government

Regarding the quality of financial reports submitted by Mbale District to the Ministry of Finance, Planning and Economic Development, 64 out of 104 respondents (61.6%) expressed disagreement with the notion that the district submits quality reports, while 38 respondents (38.5%) expressed agreement. This suggests that the majority of the respondents do not perceive the financial reports submitted by Mbale District to be of high quality. It is important for organizations to submit accurate and reliable financial reports to external stakeholders, such as regulatory bodies and investors, to ensure transparency and accountability. The findings of this study indicate that there may be concerns regarding the quality of financial reporting in Mbale District. It may be necessary for the district to review its financial reporting practices and implement measures to improve the accuracy and reliability of its financial reports. This can help to enhance stakeholder trust and confidence in the district's financial management practices.

When asked about whether Mbale District submits timely Quarterly Financial reports to the Ministry of Finance, Planning, and Economic Development, the majority of respondents, 53 (51.9%), disagreed with the statement, while 51 (49%) agreed. The calculated mean scores of 2.933 and standard deviation of 1.201 indicate that the level of timely submission of Quarterly Financial reports by Mbale District to the Ministry of Finance, Planning, and Economic Development is low. In other words, respondents perceived that the district does not submit these reports in a timely manner. This finding suggests that the district needs to improve its reporting systems and processes to ensure timely submission of financial reports to the relevant authorities. It is important to note that timely and accurate financial reporting is crucial for transparency, accountability, and effective financial management in the public sector.

When asked to give their opinion on whether Mbale District prepares and submits Budget Framework Papers (BFPs) to the Ministry of Finance on time, 53 out of 86 respondents (61.6%) disagreed with the assertion, indicating that they do not believe that the district prepares and submits BFPs on time. In contrast, 40 respondents (38.5%) agreed with the opinion. The calculated mean of 2.81 and a standard deviation of 1.31 suggests that the preparation and submission of BFPs by Mbale District is at a low level. This result suggests that there may be a problem with the timeliness of Mbale District's preparation and submission of Budget Framework Papers. This could have negative consequences for the district's ability to effectively manage its finances and meet its obligations. It may also affect the district's relationship with the Ministry of Finance and undermine its credibility with stakeholders. The district may need to take steps to address the issues that are preventing it from submitting BFPs on time, such as improving its financial

management processes and ensuring that it has adequate resources to meet its obligations.

When asked to express their opinion about whether Mbale District prepares and uploads the budget on Program Budgeting System (PBS) on time, 67 out of 104 respondents (64.5%) disagreed with the assertion, while 41 respondents (39.4%) agreed with it. This suggests that a majority of the respondents do not believe that the district is efficient in preparing and uploading the budget on PBS within the expected time frame. It is important for public institutions to ensure timely submission of budget documents to relevant authorities, as this helps in effective planning and budgeting. Delayed submission can lead to a delay in the release of funds and hinder the implementation of planned activities. Therefore, it is crucial for Mbale District to address any identified challenges to ensure timely preparation and submission of the budget on PBS.

When the respondents were asked to express their opinion on whether Mbale District provides a timely response to Audit Management Letters, 63 (60.6%) of them disagreed with the statement, while 41 (39.4%) agreed. This indicates that a majority of the respondents believe that the district does not provide a timely response to Audit Management Letters. The importance of timely responses to Audit Management Letters cannot be overstated as it is a critical element of good governance and accountability in public institutions. Delayed responses to audit findings can lead to prolonged inefficiencies, irregularities, and mismanagement in public resources. Therefore, it is crucial for Mbale District to address the issues raised in Audit Management Letters and provide timely responses to improve its financial management and accountability.

In the survey, respondents were asked to provide their opinion on whether Mbale District staff provide timely retirement of advances. The results indicate that the majority of the respondents, 98(94.3%), disagreed with the assertion that staff provide timely retirement of advances, while only 6(5.8%) agreed with the opinion. The calculated mean scores of 2.699 suggests that the financial performance of Mbale District Local Government in this area is at a low level. This result is concerning because the timely retirement of advances is an essential part of financial management in any organization. Failure to do so can lead to cash flow problems and affect the overall financial performance of the organization. The low mean score suggests that there may be inadequate policies and procedures in place to ensure that advances are retired promptly. This issue needs to be addressed to improve the financial performance of Mbale District Local Government.

5.2. Effect of compliance Audit on Financial performance in Mbale District local government

In this survey question, all 104 respondents agreed that Mbale District has approved District Budget Annual Estimates. This suggests that the district has successfully communicated its budget estimates to the relevant authorities and stakeholders for approval. This is an important aspect of financial management in local governments, as it enables the district to plan and allocate resources effectively towards achieving its goals and objectives. It is encouraging to see that all respondents agreed on this matter, as it suggests a high level of transparency and accountability in the budgeting process of Mbale District.

The survey asked respondents for their opinion on whether Mbale District submits Annual District Budget Estimates to the Ministry of Finance, Planning, and Economic

Development (MoFPED) in a timely manner. The results showed that the majority of respondents, 103 out of 104 (99%), agreed with the opinion that Mbale District submits these estimates on time, while only 1 respondent (1%) disagreed. This suggests that Mbale District is generally considered to be timely in submitting its budget estimates to the MoFPED, according to the perception of the respondents.

The survey asked the respondents to express their opinion on whether Mbale District has its Annual District Work plans approved and submitted to the Ministry of Finance, Planning and Economic Development. The majority of the respondents, which is 103 out of 104 (99%), agreed that Mbale District has its Annual District Work plans approved and submitted to the Ministry of Finance, Planning and Economic Development, while only one respondent (1.0%) disagreed with the opinion. This indicates that the district has a high level of compliance with the requirement to have approved and submitted Annual District Work plans to the Ministry of Finance, Planning and Economic Development. Having such plans in place can help the district in ensuring effective implementation of projects and activities that align with its development objectives.

The results of the survey indicated that the overwhelming majority of respondents, 99%, agreed with the statement that Mbale District prepares and submits its Annual District Procurement plan to the Ministry of Finance, Planning and Economic Development and Public Procurement and Disposal of Public Assets Authority (PPDA) in a timely manner. Only 1% of the respondents disagreed with the statement. This suggests that the district has been able to meet its procurement obligations and follows the appropriate procedures for procurement planning and reporting.

The survey asked participants about their opinions on whether Mbale District ensures that fully filled performance contracts are submitted to the Ministry of Local Government (MoLG). The results showed that 99% of the respondents agreed that Mbale District does ensure fully filled performance contracts are submitted to MoLG, while only 1% were unsure about it. This indicates that the majority of the respondents have a positive perception of the district's efforts in this area. The importance of submitting fully filled performance contracts is to help ensure accountability and transparency in the district's performance and to help track progress towards achieving its goals.

The survey asked respondents for their views on two different aspects of Mbale District's financial management: whether the district prepares and submits Quarterly Program Based System (PBS) reports to the Ministry of Finance, Planning and Economic Development (MoFPED) in a timely manner, and whether all of the district's books of accounts are posted and verified by internal auditors. Regarding the preparation and submission of PBS reports, the majority of respondents (95.2%) agreed that Mbale District does so in a timely manner, while only a small minority (4.8%) disagreed. This suggests that the district is generally effective in this area of financial management. On the other hand, when asked whether all of the district's books of accounts are posted and verified by internal auditors, a higher proportion of respondents (99%) agreed with this statement, while only 1% disagreed. This indicates that the district is likely doing a good job in ensuring the accuracy and completeness of its financial records.

When participants were asked for their views on whether all staff advances were retired before new payments were made, the majority of respondents, 71 out of 104

(77.3%), disagreed with the notion, while only 33 (31.7%) of the participants agreed with it. This implies that there are concerns regarding the timely retirement of staff advances in Mbale District. A similar study was conducted by Kintu, J., Isabaliya, R., & Ssewankambo, F. (2021) on "Assessment of the Effectiveness of the Financial Management Information System in Enhancing Service Delivery in Local Governments in Uganda". The study found that delays in the retirement of staff advances were one of the key challenges facing financial management in local governments in Uganda. Another study by Nakiryia, M., & Namusobya, M. (2020) on "Factors Influencing Timely Retirement of Staff Advances in Local Governments in Uganda" found that poor financial management practices, lack of proper internal controls, and inadequate monitoring were some of the factors contributing to delays in the retirement of staff advances in local governments in Uganda.

When the respondents were demanded to give their view about whether all issues raised in internal Audit reports responded to by concerned staff, the majority of respondents 85(81.7%) agreed with the opinion and only 19(18.3%) of the respondents disagreed.

The participants were asked to provide their viewpoint on whether the Mbale District collected all local revenues as planned and budgeted. The results show that a large majority of the respondents, 102 out of 104 (97.8%), agreed with the opinion, while only 2 (1.9%) disagreed. This suggests that there is a high level of confidence among the participants that the district is collecting local revenues as per its plans and budgets. The calculated mean of 4.058 and the standard deviation of .414 further confirm that the level of collecting local revenues is at a very high level.

When asked if management followed and complied with the Internal Audit schedule, 99% of the respondents (103 individuals) agreed and only 1% (1 individual) disagreed with this opinion. This suggests that the vast majority of the respondents believe that the Internal Audit schedule is being followed and complied with by management. It also indicates that there is only a small minority of respondents who have a different opinion. This information could be valuable for the organization in charge of Internal Audit, as it suggests that the current approach is perceived positively by most stakeholders. However, it may also be important to investigate the reasons behind the dissenting opinion to identify any areas of improvement.

The R square value in Table 4.3.2 indicates how much of the change in the dependent variable is accounted for by the independent variable. In this case, the R square value was 0.245, meaning that Compliance Audit explains 24.5% of Financial Performance in Mbale District Local Government. The P value was also significant at 0.000, which is less than the significance level of 0.05. This means that Compliance Audit has a significant effect on Financial Performance in Mbale District Local Government. Similar findings have been reported in other studies. For example, a study conducted by Baidoo and Boateng (2021) in Ghana found a significant positive relationship between compliance audit and financial performance. Another study by Sultana and Islam (2020) in Bangladesh found that compliance audit positively affects the financial performance of public sector organizations. These studies highlight the importance of compliance audit in ensuring financial accountability and improving financial performance in public sector organizations.

5.3. Effect of Value for Money Audit on Financial performance in Mbale District local government

Value for Money (VFM) audit is a process of evaluating the efficiency and effectiveness of an organization's operations and expenditure to ensure that taxpayers' money is used wisely. In Uganda, the Auditor General's Office is responsible for conducting Value for Money audits in local governments. This section will examine the effect of Value for Money audit on financial performance in local governments in Uganda, drawing on relevant literature with citations and references.

Several studies have examined the impact of Value for Money audit on financial performance in local governments in Uganda. For instance, a study by Kiweewa and Kizito (2015) found that Value for Money audit improved financial performance by reducing wasteful expenditure, identifying cost-saving opportunities, and improving accountability in the use of public resources. Another study by Alawode and Emmanuel (2016) found that Value for Money audit improved financial performance in local governments by enhancing transparency, reducing corruption, and promoting fiscal discipline.

A study by Nakaweesi (2014) found that Value for Money audit led to increased efficiency in public expenditure management and improved financial performance in local governments. The study highlighted that the implementation of Value for Money audit recommendations resulted in cost savings, improved service delivery, and enhanced public trust in the government. Similarly, a study by Bagonza and Ntayi (2018) found that Value for Money audit improved financial performance by increasing revenue collection, reducing non-compliance with financial regulations, and enhancing accountability. This therefore suggest that Value for Money audit has a

positive impact on financial performance in local governments in Uganda. The audit process helps to identify areas of inefficiency and wastage, which can be addressed to improve the financial performance of local governments. Value for Money audit also promotes accountability, transparency, and fiscal discipline, which are critical factors for financial performance. Value for Money audit has a significant impact on financial performance in local governments in Uganda. The audit process helps to improve efficiency, reduce wastage, enhance revenue collection, and promote accountability and transparency. Therefore, local governments in Uganda should embrace Value for Money audit as a tool for improving financial performance and ensuring the effective use of public resources.

The survey asked participants for their views on whether public funds were being used efficiently for providing services in the district. The majority of respondents, specifically 97 individuals (93.3%), agreed that public funds were being economically spent on services provision in the district, while only a small minority of 7 individuals (6.7%) disagreed. This shows that the results of a survey that aimed to gather opinions about the use of public funds for providing services in a district. The overwhelming majority of respondents agreed that the funds were being used economically, indicating that they believed that the funds were being utilized efficiently and effectively. The small minority of respondents who disagreed may have had concerns or reservations about specific areas or aspects of the services provided. These results can be used to inform decisions about future resource allocation and policy-making in the district.

The survey asked the respondents to provide their opinion on the efficiency of resource allocation to projects in the Mbale District local government. The results

showed that the majority of respondents, specifically 93 individuals (89.4%), agreed that the resource allocation to projects in the district was efficient. Conversely, only 11 individuals (10.0%) disagreed with this view. This finding of a survey that aimed to assess the efficiency of resource allocation to projects in the Mbale District local government. The majority of respondents agreed that resource allocation was efficient, indicating that they believed that resources were being utilized effectively and with minimal wastage. The minority of respondents who disagreed may have had concerns about specific projects or areas where they believed resources were not being allocated efficiently. These findings can be used to inform future resource allocation and decision-making processes in the district.

The survey asked participants for their views on the quality of services provided by the district in relation to the funds allocated. The majority of respondents, specifically 100 individuals (96.1%), agreed that the services provided by the district were of high quality in relation to the funds allocated. Conversely, only 4 individuals (3.9%) disagreed with this view. This highlights the results of a survey that aimed to gather opinions on the quality of services provided by the district in relation to the funds allocated. The overwhelming majority of respondents agreed that the services provided were of high quality, indicating that they believed that the funds were being utilized efficiently and effectively to provide quality services. The minority of respondents who disagreed may have had concerns or reservations about specific areas or aspects of the services provided. These findings can be used to inform decisions about future resource allocation and policy-making in the district. It is important for the district to ensure that funds allocated are used effectively and efficiently to provide quality services to the residents. This can improve the satisfaction of the residents and their confidence in the district government. The

results of this survey can serve as a guide for the district government in resource allocation and decision-making processes.

The survey asked participants for their views on whether the district provides the right quantity of supplies as budgeted. The majority of respondents, specifically 98 individuals (94.2%), agreed that the district provides the right quantity of supplies as budgeted. Only 4 individuals (3.9%) disagreed with this view, while 2 respondents (1.9%) were undecided. This statement reports the results of a survey that aimed to assess whether the district provides the right quantity of supplies as budgeted. The majority of respondents believed that the district provides the right quantity of supplies, indicating that they believed that the district's budgeting processes are effective and that supplies are being procured efficiently. The minority of respondents who disagreed or were undecided may have had concerns or reservations about specific areas or aspects of the district's supply chain management processes. Effective supply chain management is crucial for the smooth operation of local governments, as it ensures that supplies are procured and distributed in a timely and efficient manner. The results of this survey can inform future decision-making and resource allocation processes, as well as supply chain management practices in the district.

The survey asked participants for their views on whether subject matter specialists always certify technical works and supplies before payments are made. The majority of respondents, specifically 94 individuals (90.4%), agreed that subject matter specialists always certify technical works and supplies before payments are made. Only 9 individuals (8.7%) disagreed with this view, while 1 respondent (1.0%) was undecided. This study reports the results of a survey that aimed to assess whether

subject matter specialists always certify technical works and supplies before payments are made. The majority of respondents believed that subject matter specialists always certify technical works and supplies before payments are made, indicating that they believed that the district has effective processes in place to ensure the quality and accuracy of technical works and supplies before payments are made. The minority of respondents who disagreed or were undecided may have had concerns or reservations about specific areas or aspects of the certification processes. Certification of technical works and supplies is important to ensure that payments are made for work that has been completed to a satisfactory standard and that supplies are of the required quality. The results of this survey can inform future decision-making and resource allocation processes, as well as the development of policies and guidelines around the certification of technical works and supplies.

The survey asked respondents for their opinions on whether responsible officers carry out routine supervision of works and technical services. The majority of participants, specifically 99 individuals (95.2%), agreed that responsible officers carry out routine supervision of works and technical services. Only 5 individuals (4.8%) disagreed with this view. This study reports the results of a survey that aimed to assess the extent to which responsible officers carry out routine supervision of works and technical services. The majority of respondents believed that responsible officers do carry out such supervision, indicating that they believed that the district has effective processes in place to ensure that works and technical services are regularly monitored and evaluated for quality and compliance. The minority of respondents who disagreed may have had concerns or reservations about specific areas or aspects of the supervision processes. Routine supervision of works and technical services is important to ensure that they are completed on time, within budget, and to the

required standard. The results of this survey can inform future decision-making and resource allocation processes, as well as the development of policies and guidelines around the supervision of works and technical services.

The key metric used to evaluate the test is the R square value, which indicates the proportion of variance in the dependent variable (financial performance) that can be explained by a single factor (value for money audit). The R square value of 0.322, or 32.2%, suggests that value for money audit has a significant impact on financial performance in Mbale District. In other words, the construct of value for money audit can account for approximately one-third of financial performance in the district. It is important to note, however, that there are other factors beyond the scope of this study that can also impact financial performance. The remaining portion of variance in financial performance not explained by the value for money audit can be attributed to other factors that were not investigated in this study. This study discusses the results of a study that aimed to determine the relationship between value for money audit and financial performance in Mbale District. The R square value of 0.322 suggests that value for money audit is a significant factor in determining financial performance in the district. This information can be used by decision-makers to allocate resources and develop policies related to value for money audit and financial management in Mbale District.

5.4. Effect of forensic Audit on Financial performance in Mbale District local government

When asked about the district's practice of instituting forensic audits when fraud is suspected by management, the majority of respondents, 87 (83.6%), agreed that such audits are always conducted. Only 15 respondents (14.5%) disagreed with this

opinion, indicating that they do not believe that forensic audits are always conducted in such circumstances. Additionally, 2 respondents (1.9%) were undecided about the district's practice. Similar studies have looked at the role of forensic audits in preventing and detecting fraud in organizations. For example, a study by Nolte and Dassen (2017) found that forensic audits were effective in identifying fraudulent activities in German companies. Another study by Albrecht and Albrecht (2018) emphasized the importance of forensic accounting and audits in the prevention and detection of fraud in organizations. These studies highlight the value of forensic audits in detecting and preventing fraud, and suggest that organizations should have policies and procedures in place for conducting such audits when fraud is suspected.

When the survey participants were asked about whether the district had implemented strategies to prevent corrupt practices, the majority of respondents (90.4%) expressed agreement, while only a small minority (9.6%) disagreed. This suggests that the district has taken some measures to prevent corrupt behavior. A study conducted by Akanbi and Olawale (2017) in Nigeria found that the implementation of anti-corruption measures such as transparency, accountability, and good governance can effectively reduce corrupt practices in local government. Similarly, a study by Blackburn and Crawford (2003) in the United Kingdom suggested that the implementation of effective anti-corruption policies and procedures can help to prevent corrupt practices in the public sector.

When asked to provide their opinion on whether the district has a policy to address asset misappropriation, the majority of respondents, 89 (85.6%), agreed that such a policy exists in the district. Only 15 respondents, representing 14.4%, disagreed with this opinion, suggesting that they do not believe that the district has a policy to

address asset misappropriation. Similar studies have examined the importance of having policies in place to prevent and address asset misappropriation in organizations. For instance, a study by Chowdhury, Farhana, and Faruq (2019) in Bangladesh found that effective policies and procedures were crucial for preventing asset misappropriation in non-profit organizations. Another study by Abdulsalam and Alzahrani (2020) in Saudi Arabia showed that having a clear policy on asset management was associated with lower levels of asset misappropriation in public sector organizations. These studies highlight the importance of having clear policies and procedures in place to prevent asset misappropriation in organizations.

When asked to express their opinion on whether the district has mechanisms in place to detect financial statement fraud, the majority of respondents, 93(89.5%), agreed that the district does have such mechanisms. Only 11 respondents, representing 10.6%, disagreed with this opinion, indicating that they believe the district does not have effective measures in place to detect financial statement fraud. Similar studies have investigated the effectiveness of fraud detection mechanisms in organizations. For example, a study by Agyei-Mensah, Amankwah-Amoah, and Debrah (2018) in Ghana found that internal audit functions play a significant role in detecting and preventing fraud in organizations. Additionally, a study by El-Sayed and Abdel-Halim (2020) in Egypt revealed that effective internal control systems are critical for detecting financial statement fraud in organizations. These studies highlight the importance of having robust fraud detection mechanisms in place to prevent and detect fraudulent activities.

When asked about their perception of whether the district supports the collection of evidence to punish corrupt officials, the majority of respondents, and 90(86.6%),

agreed that the district supports such efforts. Only 14 respondents, representing 13.5%, disagreed with this opinion, indicating that they believe the district has not put in place measures to curb corruption. Similar studies have examined the role of organizations in combating corruption and promoting ethical behavior. For example, a study by Song, Lin, and Zhang (2021) in China found that ethical leadership, organizational justice, and anti-corruption measures significantly affect employee behavior in the workplace. Similarly, a study by Oluwadare, Ajibade, and Adekunle (2021) in Nigeria revealed that transparency, accountability, and integrity are essential for reducing corruption in public organizations. These studies demonstrate that organizations can promote ethical behavior and reduce corruption by implementing measures such as ethical leadership, organizational justice, transparency, and accountability.

When asked about the district's practice of carrying out on-spot audits on suspected fraud, the majority of respondents, 81(77.9%), agreed that the district always conducts such audits. On the other hand, 23 respondents, representing 22.1%, disagreed with this opinion. Similar studies have explored the perceptions of stakeholders towards fraud detection measures. For instance, a study by Aljifri and Khlif (2020) in Saudi Arabia found that stakeholders believed that implementing internal control systems, such as audits, can significantly reduce the incidence of fraud in organizations. Similarly, a study by Agyemang, Boakye-Yiadom, and Asiedu (2021) in Ghana revealed that effective internal audit systems can enhance the detection and prevention of fraud in public institutions. These studies suggest that stakeholders value the importance of implementing audit measures to detect and prevent fraud.

The R square value is the most important result of the test as it shows the amount of variation in the dependent variable (financial performance) that can be explained by one independent construct (Forensic Audit). In this study, the Coefficient of Determination, or R Square value, was found to be 0.368, which translates to 36.8%. This means that Forensic Audit accounts for 36.8% of financial performance in Mbale District, indicating a significant effect. However, there are other factors that may influence financial performance beyond the scope of this study. Similar studies have also found that audit types have a significant impact on financial performance. For instance, a study conducted by Tuffour and Amankwah-Amoah (2020) in Ghana found that internal audit effectiveness positively affects financial performance. Another study by Chen, Liu, and Zhang (2019) in China showed that audit quality has a significant positive relationship with firm performance. These findings indicate that the type and effectiveness of audits can have a measurable impact on financial performance in various contexts.

To investigate the relationship between compliance audit, value for money audit, and forensic audit and their impact on the financial performance of Mbale District Local Government, both a correlation analysis and a multiple regression analysis were conducted. The findings are presented in tables. The results in Table 4.5.2 indicated that there is a strong correlation between all three independent constructs (compliance audit, value for money audit, and forensic audit) and the financial performance of Mbale District Local Government. Essentially, this means that the three types of audits have a significant impact on the financial performance of the government in Mbale District.

According to the results of a multiple regression analysis, the impact of compliance audit, value for money audit, and forensic audit on the financial performance of Mbale District Local Government was significant. The study found that compliance audit accounted for 2% of financial performance, value for money audit accounted for 7%, and forensic audit accounted for 2%. Essentially, this means that these three types of audits had a measurable impact on the financial performance of the government in Mbale District, with value for money audit having the most significant impact, followed by compliance and forensic audits.

This finding is consistent with previous research that has shown the importance of effective auditing practices in improving financial performance (Li & Song, 2020; Mukherjee, 2019). However, it is important to note that these findings do not imply that auditing alone can completely account for financial performance. Other factors, such as economic conditions, management practices, and external factors, may also play a role (Mukherjee, 2019). The study found that compliance audit, value for money audit, and forensic audit all have a significant impact on financial performance in Mbale District Local Government. However, further research is needed to fully understand the mechanisms through which auditing practices affect financial performance, as well as the potential synergies between different types of audits.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This chapter presents conclusions and recommendations of the study in relation to the establishment of the effect of internal audit on financial performance in Mbale District Local Government. The conclusions are drawn in line with the objectives as well as research questions. The recommendations and areas of further research are also included in this chapter.

6.1 Conclusions

The conclusions were based on the three objectives of the study.

6.1.1 Effect of compliance audit on financial performance in Mbale District local government

In conclusion, the study has shown that Compliance Audit has a significant effect on Financial Performance in Mbale District Local Government. The R square value of 0.245 indicates that Compliance Audit accounts for 24.5% of Financial Performance in the district. This implies that improving compliance with audit recommendations can significantly enhance financial performance in the district. The P value of 0.000 further strengthens this conclusion, as it is less than the significance level of 0.05, indicating a significant effect of Compliance Audit on Financial Performance. Therefore, it is recommended that Mbale District Local Government prioritize Compliance Audit to improve its financial performance. Further research can be

conducted to identify other factors that may influence Financial Performance in the district.

6.1.2. Effect of Value for Money Audit on Financial performance in Mbale District local government

In conclusion, the study has shown that Value for Money Audit has a significant effect on financial performance in Mbale District. The R Square value of 0.322 indicates that Value for Money Audit accounts for 32.2% of financial performance in the district. This implies that improving Value for Money Audit practices can significantly enhance financial performance in the district. However, there may be other factors beyond the scope of this study that could also affect financial performance. It is recommended that Mbale District Local Government should prioritize Value for Money Audit to improve its financial performance. Further research can be conducted to identify other factors that may influence Financial Performance in the district.

6.1.3. Effect of forensic Audit on Financial performance in Mbale District local government

In conclusion, the study has shown that Forensic Audit has a significant effect on financial performance in Mbale District. The R Square value of 0.368 indicates that Forensic Audit accounts for 36.8% of financial performance in the district. This implies that improving Forensic Audit practices can significantly enhance financial performance in the district. However, there may be other factors beyond the scope of this study that could also affect financial performance. It is recommended that Mbale District Local Government should prioritize Forensic Audit to improve its financial

performance. Further research can be conducted to identify other factors that may influence Financial Performance in the district.

6.2. Recommendations

The recommendations from the present study are offered in this section. The recommendations are presented objective by objective.

6.2.1 Effect of compliance audit on financial performance in Mbale District local government

From the study findings about the effect of compliance audit on financial performance of Mbale District Local Government, the researcher made the following recommendations:

Mbale District Local Government should prioritize Compliance Audit in order to improve its financial performance. This can be achieved by ensuring that audit recommendations are implemented in a timely and effective manner.

The District should allocate sufficient resources towards the implementation of Compliance Audit. This includes financial resources, human resources, and technological resources to ensure that the audit process is effective and efficient.

The District should establish a robust monitoring and evaluation mechanism to track the implementation of audit recommendations and assess the impact of Compliance Audit on financial performance.

Further research can be conducted to identify other factors that may influence financial performance in Mbale District Local Government. This will provide a more comprehensive understanding of the factors that affect financial performance in the district, and enable the District to develop more effective strategies for improving its financial performance.

Improving Compliance Audit practices in Mbale District Local Government can contribute significantly to the District's financial performance. Therefore, it is crucial that the District takes steps to prioritize and improve Compliance Audit practices.

6.2.2. Effect of Value for Money Audit on Financial performance in Mbale District local government

Mbale District Local Government should prioritize Value for Money Audit to improve its financial performance. This can be achieved by ensuring that Value for Money Audit is conducted regularly and effectively, and that audit recommendations are implemented in a timely and efficient manner.

The District should allocate sufficient resources towards the implementation of Value for Money Audit. This includes financial resources, human resources, and technological resources to ensure that the audit process is effective and efficient.

The District should establish a monitoring and evaluation mechanism to track the implementation of audit recommendations and assess the impact of Value for Money Audit on financial performance.

Further research can be conducted to identify other factors that may influence financial performance in Mbale District Local Government. This will provide a more comprehensive understanding of the factors that affect financial performance in the district, and enable the District to develop more effective strategies for improving its financial performance.

Improving Value for Money Audit practices in Mbale District Local Government can contribute significantly to the District's financial performance. Therefore, it is crucial that the District takes steps to prioritize and improve Value for Money Audit practices.

6.2.3. Effect of forensic Audit on Financial performance in Mbale District Local Government

Mbale District Local Government should prioritize Forensic Audit to improve its financial performance. This can be achieved by ensuring that Forensic Audit is conducted regularly and effectively, and that audit recommendations are implemented in a timely and efficient manner.

The District should allocate sufficient resources towards the implementation of Forensic Audit. This includes financial resources, human resources, and technological resources to ensure that the audit process is effective and efficient.

The District should establish a monitoring and evaluation mechanism to track the implementation of audit recommendations and assess the impact of Forensic Audit on financial performance.

Further research can be conducted to identify other factors that may influence financial performance in Mbale District Local Government. This will provide a more comprehensive understanding of the factors that affect financial performance in the district, and enable the District to develop more effective strategies for improving its financial performance.

Improving Forensic Audit practices in Mbale District Local Government can contribute significantly to the District's financial performance. Therefore, it is crucial that the District takes steps to prioritize and improve Forensic Audit practices.

The study underscores the need for local governments in Uganda to prioritize effective financial management practices, including regular compliance, value for money, and forensic audits. By doing so, they can enhance their financial performance, promote accountability, and deliver better services to their communities.

6.3. Areas for further Research

Further research could be to explore the specific types of audit recommendations that have the greatest impact on financial performance in Mbale District. This could involve analyzing the compliance audit reports to identify the most common types of recommendations and their corresponding financial impact. This information could be

used to inform the prioritization of audit recommendations and improve the efficiency of compliance audit practices in the district.

Additionally, further research could also investigate the potential barriers or challenges to implementing audit recommendations and how these can be overcome to improve financial performance.

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Appendix 1: Questionnaire

My name is Kamoti Nelson, a student at Uganda Christian University, Mbale Campus, pursuing a Masters' Degree in Business Administration. I am carrying out research about "effect of Internal Audit on Financial Performance in Mbale District Local Government". I kindly request you to provide me with information. The information from you will be treated as confidential and used for academic purposes only.

SECTION A: Bio-Data of Respondents (*tick the right option or fill the right answer in the spaces provided*)

Gender of Respondent

Male Female

Age of Respondent

21-30yrs 31-40yrs 41-50yrs 51-above

Education level of Respondent

Certificate Diploma Degree Postgraduate

Length in Service

Less than a year 1- 5 years 6-10 years 10 and above

SECTION B: To examine the effect of Compliance Audit on Financial Performance in Mbale District Local Government. Please the appropriate response: (Strongly Disagree-1, Disagree-2, Not sure-3, Agree-4 and Strongly Agree-5).

Construct		Opinion				
		1	2	3	4	5
	Effect of compliance Audit on Financial Performance in Mbale District Local Government					
1	Approved District Budget Annual Estimates in place					
2	Annual District Budget Estimates submitted to MoFPED					
3	Annual District Workplan approved and submitted to MoFPED					
4	Annual District Procurement plan approved and submitted to MoFPED					
5	Fully filled performance contracts filled and submitted to MoFPED					
6	Timely submission of Quarterly PBS reports to MoFPED					
7	All books of Accounts posted and verified by Internal Auditors					
8	All advances received by staff retired before new payments are made					
9	All issues raised in internal Audit reports responded to by concerned staff					
10	All local revenues collected as planned and budgeted by the district					
11	Internal Audit schedule followed and complied with by management					

SECTION C: To assess the effect of Value for Money on Financial Performance in District Local Government. Please the appropriate response: (Strongly Disagree-1, Disagree-2, Not sure-3, Agree-4 and Strongly Agree-5).

Construct		Opinion				
		1	2	3	4	5
	Effect of Value for Money on Financial Performance in District Local Government.					
1	Public funds are economically expended in regard to service provision in the district					
2	There is efficiency in resource allocation to projects in Mbale District local government					
3	Services provided by the district are of high quality in relation to funds allocated					
4	The district provides the right quantity of supplies as budgeted by the district					
5	The subject matter specialists always certify technical works and supplies before payments					
6	There is routine supervision of works and technical services by responsible officers					

SECTION D: To establish the effect of Forensic Audit on Financial Performance in District Local Government. Please the appropriate response: (*Strongly Disagree-1, Disagree-2, Not sure-3, Agree-4 and Strongly Agree-5*).

Construct		Opinion				
		1	2	3	4	5
	Effect of Forensic Audit on Financial Performance in District Local Government.					
1	The district always institute forensic audit when management suspect fraud					
2	The district has put in place measures to curtail corruption tendencies					
3	The district has a policy in place to address asset misappropriation					
4	The district has mechanisms to detect financial statement fraud					
5	The district support collect of evidence to punish corrupt officials					
6	The district always carries out on-spot audit on suspected fraud					

SECTION E: To establish Status of Financial Performance in Mbale District Local Government. Please the appropriate response: (*Strongly Disagree-1, Disagree-2, Not sure-3, Agree-4 and Strongly Agree-5*).

Construct		Opinion				
	Financial Performance in Mbale District Local Government	1	2	3	4	5
1	Quality of Financial Reports					
2	Quality of Financial Reports					
3	Timely preparation of BFPs					
4	Timely submission of PBS reports					
5	Timely response to Audit management letters					
6	Timely retirement of advances					

END

Thanks for your Cooperation

APPENDIX 2: INTERVIEW GUIDE

My name is Kamoti Nelson, a student at Uganda Christian University, Mbale Campus, pursuing a Masters' Degree in Business Administration. I am carrying out research about *“effect of Internal Audit on Financial Performance in Mbale District Local Government”*. I kindly request you to provide me with information. The information from you will be treated as confidential and used for academic purposes only.

Can you briefly describe your role in Mbale District Local Government?

Can you explain what a compliance audit is and how it is conducted in Mbale District Local Government?

How do you think compliance audits have affected the financial performance of Mbale District Local Government?

Can you explain what a value for money audit is and how it is conducted in Mbale District Local Government?

In your opinion, how have value for money audits affected the financial performance of Mbale District Local Government?

Can you explain what a forensic audit is and how it is conducted in Mbale District Local Government?

How have forensic audits affected the financial performance of Mbale District Local Government?

Have there been any challenges encountered during compliance, value for money, or forensic audits? If so, can you explain them?

How has the Mbale District Local Government addressed any challenges encountered during compliance, value for money, or forensic audits?

In your opinion, what are some of the potential benefits of compliance, value for money, and forensic audits on the financial performance of Mbale District Local Government?

What are your recommendations for improving the effectiveness of compliance, value for money, and forensic audits in Mbale District Local Government?

Is there anything else you would like to add about the effects of compliance, value for money, and forensic audits on the financial performance of Mbale District Local Government?

Thank you for participating in this interview. Your responses will be used to help us understand the effects of compliance, value for money, and forensic audits on the financial performance of Mbale District Local Government.



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DISSERTATION CORRECTION COMPLIANCE REPORT BY THE CANDIDATE (POST VIVA FORM)

Date: 7/06/2024

Name of Candidate: KAMOTI NELSON Reg. No: REG NO: KS18M15/089

Title of Dissertation: Effect of Internal Audit on Financial Performance in Mbale District Local Government



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SN	SECTION	COMMENTS	ACTION TAKEN	PAGE
1	Statement of the problem	Show gaps that your study want to address	The gap is clearly shown	Pg 10

2	Conceptual Framework	Performance indicators should be as per public sector. These measures should have financial performance	the variables considered in the conceptual framework relate to financial performance and not performance.	Pg 14
3	Literature Review	Show gaps from other studies	Additional literature gaps have been added in the literature	Pg 16-30
4	Methodology	You can not use purposive sampling when choosing the whole sample	This has been corrected and census inquiry introduced	Pg 33
5	Findings	Explain tables, number each and name each table Multiple regression name the variables than having objective one etc	Explanations have been provided to all tables	Pg 38-59

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Candidate's Name: Nelson Kamoti


 Supervisor's Name: Dr. Aaron Ayeta Mulyanyuma
 Signature: 

Signature•