

**INTERNAL AUDIT EFFECTIVENESS AND FINANCIAL ACCOUNTABILITY IN
UGANDA'S GOVERNMENT AGENCIES**

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**UGANDA CHRISTIAN
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DECLARATION

I Kamy Johnson, hereby declare that this dissertation entitled "*Internal Audit Effectiveness and Financial Accountability in Uganda's Government Agencies*" is my own original work and has never been presented in fulfilment of the requirements for any academic award at any other academic Institution. All sources of information used in this report have been well cited and corresponding authors acknowledged. I therefore submit it to Uganda Christian University in partial fulfilment for the award of a Master's Degree in Business Administration.

Signature.....



Date.....

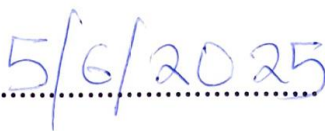
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APPROVAL

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Signature.....

Date.....

Dr. David Nyamuyonjo

DEDICATION

I dedicate this work to my loving wife; Teddy Wanyana, children; Kesly Kanya, Gideon Brandon Kanya, Godiva Kanya and Lukwago Frank and my sister; Topista Mutego Immaculate Namukasa.

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My foremost thankfulness goes to Lord God for enabling me to attain this level in my academics. To him alone belongs all the glory, honor and praise.

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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---------|--|
| AG | Auditor General |
| CAATs | Computer-Assisted Audit Techniques |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| GDP | Gross Domestic Product |
| IA | Internal Audit |
| IAE | Internal Audit Effectiveness |
| IAF | Internal Audit Function |
| IIA | Institute of Internal Auditors |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IPSAS | International Public Sector Accounting Standards |
| MoFPED | Ministry of Finance, Planning and Economic Development |
| OECD | Organisation for Economic Co-operation and Development |
| PFM | Public Financial Management |
| PFMA | Public Finance Management Act |
| UGX | Uganda Shillings |
| UNCTAD | United Nations Conference on Trade and Development |

ABSTRACT

This study aimed to explore the relationship between internal audit effectiveness and financial accountability in Uganda's government agencies. It addressed the persistent financial accountability challenges faced by these agencies, including budget variances, procurement inefficiencies, and regulatory non-compliance. A cross-sectional research design was employed, targeting 40 government agencies in Uganda. A sample of 38 agencies was selected using proportionate simple random sampling. Data were collected through self-administered structured questionnaires, with responses analyzed using descriptive statistics, correlation analysis, and regression analysis to determine the relationship between internal audit effectiveness and financial accountability. The study found a moderately high level of internal audit effectiveness and financial accountability among Uganda's government agencies. The results indicate a strong and significant positive relationship between internal audit effectiveness and financial accountability ($r = 0.716, p < 0.01$), with internal audit effectiveness serving as the strongest predictor of financial accountability ($\beta = 0.748, p < 0.001$). However, gaps were identified in strategic alignment and stakeholder engagement, indicating areas for improvement. It was concluded that strengthening internal audit effectiveness directly enhances financial accountability in Uganda's government agencies. It is recommended that policy-makers and institutional leaders invest in capacity-building for internal auditors, safeguard the independence of audit functions, and foster stronger alignment of audit activities with strategic objectives and stakeholder needs. Such reforms would not only improve compliance and reduce inefficiencies but also enhance transparency, fiscal discipline, and public trust in the management of government resources.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, the statement of the problem, the research objectives, research questions, significance of the study, the scope of the study and the conceptual framework.

1.1 Background of the Study

Enhancing accountability and transparency in public financial management is crucial for the effective use of public funds and the achievement of sustainable development goals (United Nations, 2022). As highlighted by Uganda's Ministry of Finance, Planning, and Economic Development (MoFPED, 2024), robust financial accountability mechanisms contribute to improved governance, economic stability, and public trust in government institutions. More so, financial accountability ensures adherence to statutory and regulatory requirements and sustainable development (Zilwa, 2016). Sustainable development remains one of the most pressing global challenges, requiring strong agency governance and an effective monitoring and reporting framework to track policy implementation (United Nations, 2022). In this regard, transparency, accountability, and the control of corruption are essential pillars of public expenditure and financial management reform (Taverdyan, 2020). Governments worldwide, including those of the United States, the United Kingdom and Germany, have adopted stringent financial management policies to strengthen oversight and accountability (OECD, 2021). However, developing nations, particularly in Africa, Asia, and Latin America, continue to face systemic financial

accountability challenges, including budget variances, procurement inefficiencies, and regulatory non-compliance (World Bank, 2022). Uganda's agency is no exception, as recent reports reveal significant financial accountability shortcomings. The Budget Performance Report and the Auditor General's Consolidated Report (2023/24) highlight key issues such as unauthorized expenditures, weak expenditure controls, procurement inefficiencies, and limited budget integrity. Only 48% of payments were made on time against a 70% target, and just 52% of contracts were completed within the stipulated timeframe. Furthermore, competitive bidding remains inadequate, with only 58% of contracts subjected to open competition instead of the targeted 80% (Auditor General's Consolidated Report, 2023/24). These financial management weaknesses undermine service delivery and public confidence in government institutions.

Empirical studies emphasize the crucial role of internal audit effectiveness in enhancing financial accountability. Research from South African provincial treasuries (Msindwana & Ngwakwe, 2022) and Indonesian local governments (Zeyn, 2018) demonstrates that internal audit independence significantly strengthens financial oversight. Similarly, a study in Laikipia County, Kenya (Maina & Musau, 2024) highlights that robust internal audit functions mitigate financial risks and improve regulatory compliance. Despite ongoing reforms to strengthen financial oversight, Uganda continues to grapple with persistent accountability challenges that hinder effective service delivery (Public Financial Management (PFM) System Thematic Report, 2023). Addressing these issues requires a comprehensive understanding of the relationship between internal audit effectiveness and financial accountability. This study, therefore, seeks to bridge this knowledge gap by examining the

relationship between internal audit effectiveness and financial accountability in agency of Uganda.

1.2 Statement of the problem

Financial accountability is integral to fostering transparency, efficiency, and public trust in governmental operations worldwide. It ensures compliance with statutory and regulatory frameworks, thereby promoting economic stability and sustainable development (Zilwa, 2016). However, Uganda's agency faces persistent financial accountability challenges, including budget variances, delayed financial reporting, unauthorized expenditures, procurement irregularities, and weak enforcement of financial regulations (PFM System Thematic Report, 2023). The Budget Performance Report and the Auditor General's Consolidated Report (2023/24) highlight significant discrepancies between allocated budgets and actual expenditures, revealing weaknesses in expenditure control and oversight. Moreso, despite a seemingly satisfactory PFM performance rating of 3.0 out of 4.0 in FY 2022/23, systemic flaws persist, including unauthorized spending, inadequate documentation, delayed reporting, and regulatory non-compliance. Procurement inefficiencies are also revealed that, only 48% of payments made on time (against a 70% target) and just 52% of contracts completed within the stipulated timeframe. Additionally, budget integrity is compromised by a lack of competitive bidding, with only 58% of contracts subjected to open competition instead of the targeted 80% (Auditor General's Consolidated Report, 2023/24). Without addressing these issues, the potential for financial mismanagement and lack of accountability will continue to undermine public trust and effective service delivery.

Studies highlight the crucial role of internal audits effectiveness in enhancing financial accountability in public institutions. Independent internal audits

strengthen financial oversight, mitigate risks, and ensure compliance (Msindwana & Ngwakwe, 2022; Zeyn, 2018; Maina & Musau, 2024). Therefore, this study seeks to explore the relationship between internal audit effectiveness and financial accountability in government agencies of Uganda.

1.3 Purpose of the study

To explore the relationship between internal audit effectiveness and financial accountability in government agencies of Uganda.

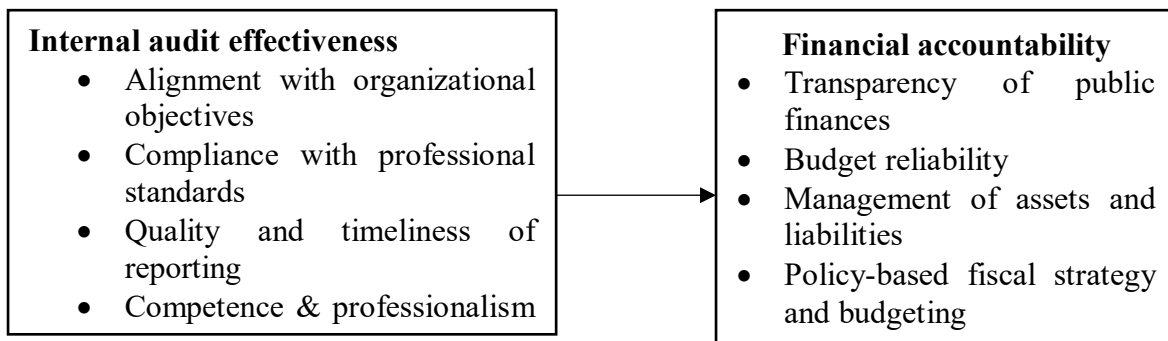
1.4 Specific Objectives

- a) To assess the level of internal audit effectiveness in Uganda's government agencies.
- b) To examine the level of financial accountability in Uganda's government agencies.
- c) To establish the relationship between internal audit effectiveness and financial accountability in Uganda's government agencies.

1.5 Research Questions

- a) What is the level of internal audit effectiveness in Uganda's government agencies?
- b) What is the level of financial accountability in Uganda's government agencies?
- c) What is the relationship between internal audit effectiveness and financial accountability in Uganda's government agencies?

1.6 Conceptual framework



Source; Developed from (Msindwana and Ngwakwe (2022); OECD, (2023); World Bank, 2020)

Figure 1.1: Conceptual framework

The conceptual framework demonstrates the linkage between internal audit effectiveness and financial accountability within Uganda’s government agencies. Internal audit effectiveness is conceptualized through four key dimensions: alignment with organizational objectives, compliance with professional standards, the quality and timeliness of reporting, and the competence and professionalism of internal auditors. These attributes collectively determine the extent to which the internal audit function contributes to improved oversight, the detection of irregularities, and the promotion of sound financial management practices in public institutions.

Correspondingly, financial accountability is operationalized through transparency in the management of public resources, budget reliability, prudent management of assets and liabilities, and the adoption of policy-based fiscal strategies. These indicators emphasize the responsibility of government agencies to demonstrate that entrusted resources are used efficiently, lawfully, and in alignment with policy priorities. Thus, the framework posits that improvements in internal audit

effectiveness are directly associated with enhanced accountability outcomes, particularly in fostering fiscal discipline and institutional integrity.

The framework is underpinned by agency theory, which explains the principal-agent relationship in public finance management. Citizens, as principals, delegate authority to government officials and managers, as agents, to oversee and utilize public resources. However, due to information asymmetry and divergent interests, agents may act opportunistically, resulting in inefficiency, misallocation, or even misuse of funds. Internal audit functions serve as monitoring mechanisms that reduce these agency costs by enhancing transparency, detecting non-compliance, and ensuring that agents' actions are consistent with the principals' expectations. In this regard, effective internal audit systems strengthen financial accountability by minimizing risks of mismanagement, enhancing the credibility of budget processes, and fostering public trust. By aligning internal audit practices with the principles of agency theory, the framework demonstrates that accountability can be improved through professional auditing standards and transparent reporting mechanisms. Consequently, internal audit effectiveness is not only a technical requirement but also a strategic tool for reinforcing trust in public sector governance and bridging the accountability gap between the state and its citizens.

1.7 Scope of the study

1.7.1 Conceptual scope

This study focused on two key variables: internal audit effectiveness and financial accountability. Internal audit effectiveness is the independent variable while financial accountability is the dependent variable in this study.

1.7.2 Geographical scope

The study was conducted in Uganda's government agencies (MoFPED,2024). The Ministry of Finance, Planning and Economic Development (MoFPED) collaborates with several semi-autonomous and autonomous agencies to fulfill its mandate. These agencies play crucial roles in areas such as economic planning, investment promotion, financial regulation and public sector accountability.

1.7.3 Time scope

The time scope of this study was cross-sectional, focusing on a specific period during which data was collected and analyzed. This period was defined as the financial year 2023/24, allowing for the examination of current practices and challenges in internal audits and financial accountability.

1.8 Justification of the study

This study is warranted by the persistent challenge of ensuring accountability in Uganda's public sector, where internal audit functions have historically been underemphasized. Empirical research demonstrates that effective internal audit significantly enhances accountability outcomes among statutory corporations in Uganda, while audit committee effectiveness plays a lesser role where robust internal audit exists (Bananuka et al., 2018). Yet, the specific mechanisms through which internal audit contributes to financial accountability in Uganda's broader government agencies—not just statutory corporations—remain underexplored. This creates a critical gap, particularly for public administrators and scholars interested in strengthening governance and accountability within public financial management.

Given Uganda's ongoing public sector reforms, improving financial accountability is central to fostering public trust and ensuring efficient resource use. A well-functioning internal audit system helps assess internal controls, manage risk, and support sound governance, thereby reducing information asymmetry between the state (as agent) and the public (as principal) (Middin, Nirwana, & Haliah, 2024). By investigating internal audit effectiveness specifically within government agencies, this study offers practical insights that can inform policy efforts aimed at strengthening audit infrastructure, audit training, and the institutional independence of internal audit units—ultimately enhancing fiscal discipline and transparency (Kamara, 2023).

Finally, this research contributes to theory by extending agency theory within the context of developing-country public sector management. While agency theory has long emphasized audit as a monitoring function to curb opportunistic behavior, empirical validation in low-income, public-sector environments like Uganda's remains limited. Investigating how internal audit modifies incentives, reduces agency costs, and enhances financial accountability offers important theoretical value. Moreover, by focusing on government agencies, the findings can guide reforms that reinforce internal audit as a strategic governance tool, thereby narrowing the accountability gap between citizens and their agents in government.

1.9 Significance of the Study

This study contributes to the existing body of knowledge on public financial management by elucidating the role of internal audits in enhancing financial accountability within Uganda's government agencies.

Given the persistent challenges of budget variances, procurement irregularities, and delayed financial reporting highlighted in recent reports, understanding these relationships is essential for policymakers and practitioners aiming to improve financial oversight and compliance.

The findings may inform the design and implementation of more robust internal audit frameworks and that align with best practices, thereby promoting transparency and public trust in government operations.

1.10 Definitions of key terms and concepts

Internal audit effectiveness refers to the extent to which the internal audit function achieves its intended objectives of providing independent assurance, improving risk management, strengthening internal controls, and promoting organizational governance.

Financial accountability refers to the obligation of individuals and institutions entrusted with public resources to demonstrate, report, and justify the proper use of those resources in a transparent and reliable manner.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This part focuses on the theoretical underpinning and synthesizes the existing studies surrounding key concepts, explaining their definitions and empirical literature.

2.1 Theoretical review

Agency theory, developed by Jensen and Meckling (1976), offers a foundational lens for examining the relationship between principals, such as shareholders or government entities, and agents, such as managers and auditors, within organizations. The theory assumes that principals and agents are rational actors with divergent interests, where agents may prioritize personal goals over the principals' objectives. This misalignment generates agency costs, which arise from the need to design monitoring and control mechanisms to ensure that agents act in line with principals' interests (Eisenhardt, 1989). Internal audits and financial accountability mechanisms are among the key strategies that can reduce these costs by enhancing transparency, limiting opportunistic behavior, and aligning actions with organizational objectives.

Despite its wide application, agency theory has been criticized for being overly reductionist, as it assumes that all agents act in self-interest and are primarily motivated by financial incentives. This assumption neglects alternative motivations such as professional ethics, public service values, or intrinsic commitment to organizational goals (Eisenhardt, 1989). Moreover, agency theory has been critiqued for its limited ability to account for contextual and institutional dynamics,

particularly in developing countries where weak institutional frameworks, political interference, and capacity challenges complicate the principal-agent relationship. In public sector settings like Uganda, these criticisms highlight the need to contextualize agency theory to capture the realities of accountability, governance, and institutional culture.

The application of agency theory in this study is significant because it frames internal audit effectiveness as a monitoring mechanism that reduces information asymmetry and ensures that managers act in the best interests of stakeholders. Effective internal audits provide assurance on financial reporting integrity, regulatory compliance, and operational efficiency, thereby lowering agency costs (Bananuka et al., 2018). By identifying inefficiencies, irregularities, and fraud, internal audits reinforce transparency and foster stakeholder trust (Zeyn, 2018). Similarly, financial accountability mechanisms ensure that agents are held responsible for the stewardship of resources, thereby promoting transparency and reducing the likelihood of misallocation (Sam et al., 2024). Thus, both constructs operationalize agency theory by providing the oversight necessary to align the interests of principals and agents.

However, a critical gap in existing literature is the limited exploration of how agency theory translates into practical accountability mechanisms within government agencies in low-income countries. Most studies on agency theory and internal audit effectiveness are situated in corporate or developed-country contexts, with relatively fewer studies addressing the public sector in sub-Saharan Africa. Furthermore, while scholars such as Bananuka et al. (2018) have demonstrated the role of internal audits in enhancing accountability, limited research has examined how institutional weaknesses, cultural factors, and political economy dynamics

moderate this relationship in Uganda's government agencies. Addressing these gaps is essential for extending agency theory and for tailoring accountability frameworks to the complexities of developing-country public financial management systems.

2.2 The level of Internal Audit Effectiveness

Internal audit effectiveness is a pivotal concept within organizational governance and performance management, referring to the capacity of the internal audit function to achieve its objectives and contribute meaningfully to institutional oversight. Rather than a static construct, internal audit effectiveness is multidimensional, shaped by structural, operational, and contextual factors. For instance, Arena and Azzone (2009) contend that team characteristics, such as the ratio of auditors to employees and professional affiliations, are critical determinants. Additionally, the processes and activities undertaken by audit teams, as well as their integration with wider organizational functions, significantly influence overall audit performance. This suggests that internal audit effectiveness is both a function of resources and organizational embeddedness.

Further empirical evidence reinforces the multifactorial nature of audit effectiveness. A study conducted in Greece identified four primary determinants: audit quality, competence of audit staff, independence of the audit function, and management support (Drogalas et al., 2015). These elements highlight the necessity of a holistic framework in evaluating audit effectiveness, as organizational and managerial contexts strongly shape audit outcomes. In practice, without management commitment or independence, even technically competent auditors may face barriers in influencing organizational accountability. Thus, the interplay between technical, structural, and cultural factors must be considered when assessing the overall effectiveness of internal audit functions.

Scholars have also conceptualized internal audit effectiveness in diverse ways. Dittenhofer (2001) emphasizes distinguishing between output measures—such as the number of audits conducted—and outcome measures, which assess broader organizational impacts such as cost-effectiveness, operational efficiency, and improvements in governance. This approach highlights the limitations of narrow performance indicators, calling instead for an assessment of whether internal audit truly strengthens accountability and value creation. Similarly, literature emphasizes that the role of internal audit extends beyond compliance, positioning it as a key contributor to organizational learning, efficiency, and risk management in increasingly complex institutional environments.

Despite these contributions, important gaps remain in the literature. Much of the empirical evidence on internal audit effectiveness has been derived from corporate settings in developed or middle-income countries (Arena & Azzone, 2009; Drogalas et al., 2015), with relatively limited attention paid to the public sector, particularly in sub-Saharan Africa. Moreover, existing studies tend to focus on structural and technical determinants, such as independence and professional competence, while underexploring contextual factors such as political interference, resource constraints, and cultural attitudes toward accountability that often characterize government agencies in developing countries. This study therefore addresses the gap by examining how internal audit effectiveness is operationalized within Uganda's government agencies, where institutional weaknesses and governance challenges complicate traditional assumptions about audit practices and their contribution to financial accountability.

2.3 The level of financial accountability

Financial accountability is widely recognized as a cornerstone of both public and private sector governance, underpinning efficiency, effectiveness, and public trust. It is commonly defined through dimensions such as transparency, responsibility, and the prudent allocation of resources to achieve organizational goals (Barth, 2015; Sam et al., 2024). Within public agencies, financial accountability is particularly critical because it operationalizes the principles of transparency and value for money. Transparency ensures that financial information is not only disclosed but also presented in a manner that is understandable to stakeholders, thereby fostering engagement and trust. At the same time, the concept of value for money emphasizes efficiency, economy, and effectiveness in the deployment of public resources, ensuring that limited funds are used optimally to maximize societal benefit (Sam et al., 2024).

Although its importance is broadly acknowledged, financial accountability is contextually defined and practiced. In the private sector, it primarily supports investor confidence and informed decision-making (Barth, 2015), while in Islamic governance contexts, accountability assumes a dual role by integrating both temporal and eternal dimensions, thereby extending beyond conventional financial reporting (Nahar & Yaacob, 2011). Within public agencies, however, challenges persist, including weak transparency systems, limited stakeholder engagement, and regulatory inefficiencies (Sam et al., 2024). These constraints often compromise the ability of agencies to meet accountability expectations, particularly in environments where institutional frameworks are fragile. In response, organizations have increasingly embraced digital transformation as a means of strengthening accountability systems. Emerging technologies such as artificial intelligence,

blockchain, and cloud-based platforms are being leveraged to enhance transparency, minimize fraud, and increase stakeholder trust (Alonge et al., 2024).

The legislative and regulatory environment also provides a critical foundation for financial accountability. For instance, financial accountability in the public sector is grounded in statutory and constitutional provisions that define reporting, oversight, and compliance obligations. The South African Constitution of 1996 explicitly enshrines financial accountability as a government mandate (Barac et al., 2013), while governance frameworks highlight its role in ensuring sustainable value creation across tangible and intangible assets (Fourie, 2007). Similarly, public service regulations emphasize adherence to accountability principles to ensure resource stewardship and institutional integrity (Zilwa, 2016; Munzhedzi, 2016a). However, much of this scholarship has been developed within South Africa and other relatively well-institutionalized contexts, leaving a notable gap in understanding how financial accountability operates in countries such as Uganda, where systemic weaknesses—such as resource constraints, political interference, and limited capacity—undermine accountability mechanisms. This gap provides an opportunity for this study to explore financial accountability within Uganda’s government agencies, thereby extending the literature to fragile governance environments and offering context-specific insights.

2.4 Internal audit effectiveness and financial accountability

The relationship between internal audit effectiveness and financial accountability has been extensively documented, particularly within public sector organizations. Internal audit effectiveness is recognized as a critical driver of accountability outcomes, with several studies affirming its role in enhancing transparency and oversight. For instance, Bananuka et al. (2018) demonstrate that effective internal

audit functions significantly improve accountability within Uganda's statutory corporations, while Msindwana and Ngwakwe (2022) highlight similar effects within provincial treasuries in South Africa. Independence of the internal audit function, in particular, has been found to be a strong predictor of financial accountability, especially in local governments where political and managerial interference is prevalent (Maina & Musau, 2024). In addition, Zeyn (2018) emphasizes that audit quality strengthens the reliability of financial reports, which serve as the basis for informed stakeholder decision-making. Collectively, these findings suggest that internal audit effectiveness directly supports financial accountability through independence, quality, and integrity of reporting.

Scholars further argue that internal audits should function as proactive monitoring mechanisms rather than punitive instruments. This requires deliberate measures such as continuous training of audit staff, minimizing conflicts of interest, and reducing management interference (Msindwana & Ngwakwe, 2022; Maina & Musau, 2024). These recommendations are consistent with Zeyn's (2018) conclusion that internal audits instill financial discipline, reinforce transparency, and promote the efficient, effective, and economical use of public resources. Similarly, Moeller (2005) posits that financial transparency achieved through internal audit strengthens accountability in the management of public funds and positively influences the effectiveness of other expenditure programs. Such perspectives underscore that the effectiveness of internal auditing lies not only in detecting irregularities but also in cultivating a culture of accountability within institutions.

Empirical evidence also suggests that internal audit effectiveness has broader systemic effects on financial governance and expenditure outcomes. Correlation analyses in related studies reveal that internal audit effectiveness strongly and

positively correlates with financial governance, which in turn is associated with improved budgetary performance (Cohen & Sayag, 2010). By promoting principles of discipline, openness, and transparency, effective internal audits ensure budgetary control, reduce over-budgeting, and improve compliance with fiscal rules. Within South African provincial treasuries, internal audits have been shown to minimize wasteful and fruitless expenditure, thereby reinforcing their role as a safeguard against financial negligence and indiscipline (Msindwana & Ngwakwe, 2022). Although literature directly examining the relationship between internal audit effectiveness and wasteful expenditure remains limited, Zeyn (2018) contends that accountability mechanisms prevent resource leakage and wastage, while Motubatse (2014) and the National Treasury (2009) emphasize the role of internal audits in identifying and sanctioning responsible personnel. These insights confirm the inverse relationship between internal audit effectiveness and wasteful expenditure, reflecting the importance of audits in promoting fiscal discipline and efficient resource utilization.

Despite these valuable contributions, gaps remain in the literature. Much of the empirical evidence originates from South Africa and corporate settings, with limited focus on government agencies in Uganda where accountability structures face unique challenges such as resource scarcity, political interference, and institutional weakness. Furthermore, while studies highlight the general positive relationship between internal audits and accountability, few interrogate the moderating role of organizational culture, technological adoption, or regulatory enforcement in shaping this relationship. Addressing these gaps is critical for contextualizing internal audit effectiveness within Uganda's governance environment and for developing nuanced

insights into how audits can strengthen financial accountability in fragile institutional contexts.

2.5 Summary of literature

The reviewed literature highlights agency theory as the primary theoretical foundation for understanding the relationship between internal audit effectiveness and financial accountability. Agency theory assumes a divergence of interests between principals (such as citizens or shareholders) and agents (such as managers or government officials), which results in agency costs when agents pursue self-interest at the expense of principals (Jensen & Meckling, 1976; Eisenhardt, 1989). Internal audits and accountability mechanisms are therefore positioned as monitoring tools to reduce information asymmetry, constrain opportunistic behavior, and ensure the efficient use of resources. However, critiques of agency theory point to its overemphasis on self-interest and neglect of contextual realities, particularly in developing countries, where political interference and weak institutions shape accountability outcomes.

The literature on internal audit effectiveness reveals that its success depends on multiple factors, including auditor competence, independence, management support, and audit quality (Arena & Azzone, 2009; Drogalas et al., 2015). Scholars also emphasize the need to assess both outputs (e.g., number of audits completed) and outcomes (e.g., improvements in efficiency and governance) when evaluating effectiveness (Dittenhofer, 2001). Effective audits are shown to promote transparency, strengthen internal controls, and safeguard public resources. Nonetheless, most empirical evidence stems from developed or corporate contexts,

with limited research addressing how institutional weaknesses, resource scarcity, and political dynamics in African public sectors affect internal audit effectiveness. On financial accountability, the literature underscores its role as a cornerstone of governance and public trust, encompassing transparency, responsibility, and prudent resource use (Barth, 2015; Sam et al., 2024). Financial accountability is critical for ensuring value for money, efficiency, and effectiveness in both public and private institutions. While some studies explore financial accountability in diverse contexts, including Islamic frameworks and South African public sector reforms (Nahar & Yaacob, 2011; Barac et al., 2013), challenges such as inadequate transparency, weak regulations, and limited citizen participation remain persistent. Although digital innovations such as artificial intelligence and blockchain have been suggested to enhance accountability (Alonge et al., 2024), literature on their adoption and impact in developing-country public sectors remains sparse.

Finally, studies linking internal audit effectiveness and financial accountability consistently show a positive relationship. Effective audits improve the reliability of financial reporting, minimize wasteful expenditure, and promote fiscal discipline (Bananuka et al., 2018; Cohen & Sayag, 2010; Zeyn, 2018). Evidence from South Africa and Uganda demonstrates that independence, competence, and management support are essential for aligning audit effectiveness with accountability outcomes (Msindwana & Ngwakwe, 2022; Maina & Musau, 2024). However, the majority of this literature focuses on corporate settings or more developed governance systems, leaving a gap in understanding how internal audit effectiveness translates into financial accountability within Uganda's government agencies, where institutional fragility, political interference, and resource constraints complicate accountability frameworks.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter focuses on the research design, population, sample size, sampling techniques, procedure, data source and collection methods, operationalization and measurement of variables, validity, reliability and ethical considerations.

3.1 Research Design

This study employed a cross-sectional research design to collect data at a single point in time. This approach was selected due to its efficiency, as it allows for the collection of substantial data within a relatively short period. When implemented through a questionnaire survey, the cross-sectional design is particularly advantageous because it is cost-effective, straightforward to administer and facilitates the acquisition of valuable insights in a timely manner (Sedgwick, 2014).

3.2 Study population

The study population comprised 40 government agencies in Uganda which are responsible for financial accountability (MoFPED,2024).

3.3 Sample Size

The sample size of 38 government agencies was determined using Krejcie and Morgan's (1970) table. These agencies served as the unit of analysis. Accounting officers in the agencies were the unit of inquiry because they have accurate information on financial accountability.

Table 3.1: Sample size table

| Agency | Number | Sample size |
|------------------------------|-----------|-------------|
| Departments in MoFPED agency | 15 | 14 |
| Semi-autonomous agencies | 15 | 14 |
| Autonomous agencies | 10 | 10 |
| Total | 40 | 38 |

Source: MoFPED, (2024)

3.4 Sampling techniques and Procedure

Proportionate simple random sampling technique was employed in this study. This approach is selected to ensure that each of the agency is adequately represented in the sample. The sampling procedure involved identifying the agencies. The sample size of 38 was then allocated proportionally to each stratum. Within each agency, accounting officers were randomly selected to ensure that every individual has an equal chance of being included in the study, thereby minimizing selection bias and enhancing the representativeness of the sample. Once the sample was selected, data was collected through a structured questionnaire administered to the sampled officers.

3.5 Sources of data

The researcher collected data from respondents using primary source to get information. This was self-administered and closed-ended questionnaire rated using a 5-point Likert scale. Respondents were asked to indicate their perception of the variables on a five-point Linkert scale with 1= strongly agree, 2= agree, 3= neutral, 4= disagree, 5= strongly disagree. The Linkert scale was used because it is easy to construct and generates a greater volume of reliable interval data than other scales (Cooper and Schindler, 2006).

3.6 Data collection method

Data collection method was mainly primary method using self-administered questionnaires. Data was collected using a structured questionnaire that included closed-ended questions. The questionnaire was used to collect data consisting two sections; Section A examined the background information and Section B captured information on study variables. A questionnaire method was used because it is simple, convenient and collects data from a big population size.

3.7 Data collection procedure

To inform the respondents that the research study was for academic purposes, the researcher got an introduction letter from the Faculty of Business and Administration of Uganda Christian University, which was attached to the questionnaire to be distributed to respondents. Subsequently, the target respondents receive a questionnaire to answer the different statements stated.

3.8 Operationalization and Measurement of Variables

This study investigated the relationship between two variables of internal audit effectiveness and financial accountability. Internal audit effectiveness was assessed through various dimensions, including independence, audit quality, risk-based auditing and adherence to established standards, as outlined by Arena and Azzone (2009) and Feizizadeh (2012). Financial accountability was analyzed through the lenses of transparency, compliance with financial regulations and the efficiency of resource utilization, as highlighted by the OECD (2019) and the World Bank (2017).

3.9 Validity and Reliability Tests

3.9.1 Validity

Validity is a critical aspect of research instruments, reflecting the degree to which the tool accurately measures what it is intended to measure (Zikmund et al., 2010).

According to Sahlan et al., (2020), validity encompasses the effectiveness of data collection methods in capturing the intended constructs and ensuring that research findings genuinely reflect the phenomena under investigation. To establish content validity, it is essential that the instrument includes a representative sample of the subject matter relevant to the research (Khalid et al., 2012; Mohajan, 2017). To enhance the overall validity of the instrument, the researcher aligned the questions with the research objectives and questions. Initially, the instrument underwent a thorough review by external experts who specialize in the relevant fields. This panel consisted recognized scholars and practitioners in accounting, who provided independent assessments regarding the instrument's structure, content, length and operationalization.

The Content Validity Index (CVI) value of at least 0.7 was deemed satisfactory for each variable, as suggested by Hair et al. (2010). In accordance with the guidelines outlined by Salkind (2010) and Saunders et al., (2012), items rated as relevant but unclear were revised for clarity, while those deemed irrelevant were excluded from the final instrument. The CVI was calculated using the following formula below and all the items were above 0.7

$$\text{CVI} = \frac{\text{Items rated relevant}}{\text{Total items}} \times 100\%$$

3.9.2 Reliability

Reliability is another fundamental characteristic of research instruments, as it ensures that the measurement items yield consistent results across multiple administrations (Hair et al., 2010). It refers to the consistency and reproducibility of measurements over time or across different raters (Lachin, 2004; Vet et al., 2006). This means that the study's results should be replicable using the same

methodology and instrument (Sahlan et al., 2020). Potential threats to reliability may arise from instrument error, observer error, or respondent error.

To mitigate these threats, the researcher standardized the data collection conditions and utilized well-trained research assistants to minimize external sources of variation (Lumpkin & Dess, 1996). The reliability of the questionnaire was assessed using Cronbach's alpha coefficient, a measure of internal consistency among a set of items (Cronbach, 1951). This coefficient evaluates the extent to which respondents provide consistent answers to similar questions. As a general guideline, Sekaran (2003) recommends a Cronbach's alpha of 0.70 or higher, based on a substantial sample size, before an instrument can be considered reliable for research purposes and this was achieved.

3.10 Data Processing and Analysis

After data collection, all responses were entered into the Statistical Package for Social Sciences (SPSS) to undergo a thorough cleaning process to identify and correct any errors. Data coding was employed to convert various data types into numeric codes, facilitating efficient data entry and subsequent analysis. The following analyses were performed: descriptive analysis was done to summarize the demographic characteristics of the respondents and the overall distribution of responses; correlation coefficient was also calculated to examine the strength and direction of relationships between the study variables and regression analysis was conducted to assess the predictive power of the independent variables on the dependent variable.

3.11 Ethical Considerations

This study was committed to upholding rigorous ethical standards to safeguard the rights, welfare and privacy of participants throughout the research process. The

ethical framework guiding this study was informed by the principles established by Miles and Huberman (1994). Ethical approval was obtained from relevant authorities, and informed consent was sought from all participants before data collection. To protect participants' privacy, the study coordinated with respondents to determine the most convenient and non-intrusive times for completing questionnaires. This approach respects participants' personal schedules and preferences. Confidentiality was maintained by separating participants' identifiers and sensitive information, such as names and contact details, from their responses. Data was labeled with unique identifiers rather than personal information, and all data collected was securely stored with access restricted to the research team.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This part presents, analyzes, and interprets the study's findings in light of the objectives of the investigation.

4.1 Response Rate

All the 38 questionnaires distributed to agency accountants were completed and returned because of the close follow up and reminders, yielding a 100% response rate. Fowler (2014) suggested that a response rate exceeding 80% is sufficient for conducting analyses and generating reports.

4.2 Demographic characteristics

Table 4.1: Findings for demographic characteristics

| Variable | Categorisation | Frequency | Percent |
|-------------------------------------|------------------------|-----------|--------------|
| Gender | Male | 23 | 60.0 |
| | Female | 15 | 40.0 |
| | Total | 38 | 100.0 |
| Number of years in current Position | Less Than 1 | 6 | 15.8 |
| | 1-3 Years | 18 | 47.4 |
| | 4-6years | 7 | 18.4 |
| | More Than 6 Years | 7 | 18.4 |
| | Total | 38 | 100.0 |
| Government Agency | Mofped | 14 | 36.8 |
| | Autonomous Agency | 10 | 26.3 |
| | Semi-Autonomous Agency | 14 | 36.8 |
| | Total | 38 | 100.0 |

Gender distribution was somehow balanced, with almost equal representation of male and female participants (60% and 40% respectively), suggesting gender parity

among internal audit personnel or respondents within the sampled agencies. Regarding tenure in current positions, the majority of respondents (47.4%) had served between 1 to 3 years, followed by equal proportions (18.4%) having 4-6 years and more than 6 years, respectively, and a smaller group (15.8%) having less than one year of experience. This indicates a relatively experienced respondent base, which may be important in assessing perceptions of audit effectiveness and accountability.

In terms of institutional affiliation, respondents were drawn from three categories of government agencies. The highest proportion (36.8%) were from the Ministry of Finance, Planning and Economic Development (Mofped) and (36.8%) from semi-autonomous agencies, then (26.3%) from autonomous agencies. This diverse institutional representation enhances the generalizability of the findings across different government agency structures. The relatively balanced sample across gender, agency type and years of service provides a credible basis for analyzing how organizational context and professional experience influence internal audit effectiveness and its implications for financial accountability in Uganda’s public sector.

4.3 Descriptive statistics

4.3.1 Level of internal audit effectiveness in Uganda’s government agencies.

Table 4.2: Findings for Level of internal audit effectiveness in Uganda’s government agencies.

| Item | Mean | SD |
|---|--------|---------|
| <i>Alignment with Organizational Objectives</i> | | |
| Internal auditors actively engage with departmental leadership to ensure that audit priorities reflect organizational objectives. | 3.5789 | 0.94816 |

| | | |
|--|--------|---------|
| The alignment of internal audit activities with organizational objectives is regularly assessed and adjusted as necessary. | 3.3421 | 1.14553 |
| The internal audit function effectively aligns its activities with the strategic goals of the Directorate of Ministry of Finance Planning and Development. | 3.1316 | 1.33904 |
| Stakeholder feedback is utilized to enhance the alignment of internal audit activities with the goals of the agency. | 3.0000 | 0.98639 |
| The internal audit department adheres to established professional standards and guidelines in its operations. | 3.7368 | 0.68514 |
| The recruitment process for internal auditors emphasizes the importance of competence and professionalism. | 3.6579 | 0.66886 |
| Internal auditors demonstrate a high level of professionalism in their interactions with stakeholders. | 3.6579 | 0.70811 |
| Regular assessments are conducted to evaluate compliance with internal audit professional standards within the agency. | 3.5526 | 0.72400 |
| The internal audit department implements a systematic review process to enhance the quality of its reporting. | 3.5526 | 1.10765 |
| The quality of internal audit reports meets the expectations of stakeholders in the Ministry of Finance Planning and Development. | 3.4211 | 0.91921 |
| The internal audit team possesses the necessary skills and qualifications to perform their duties effectively. | 3.3947 | 1.02771 |
| Internal audit reports are produced in a timely manner to facilitate decision-making within the agency. | 3.3158 | 0.90360 |
| The internal audit team receives ongoing training to maintain compliance with evolving professional standards. | 3.2895 | 0.73182 |
| Professional development opportunities are provided to internal auditors to enhance their competence and professionalism. | 3.2105 | 1.06943 |
| Feedback from report recipients is collected to improve the quality and relevance of internal audit reporting. | 3.1316 | 1.11915 |
| Mechanisms are in place to address any identified non-compliance with professional standards in internal auditing. | 3.0000 | 0.92998 |

The descriptive statistics on the alignment of internal audit with organizational objectives reveal moderately positive perceptions among respondents, with most mean scores ranging between 3.0 and 3.7 on a 5-point Likert scale. The highest-rated item "The internal audit department adheres to established professional standards and guidelines in its operations" (M = 3.7368, SD = 0.68514) suggests a strong commitment to formal standards, while similarly high ratings were observed for the professionalism of internal auditors and recruitment processes (M = 3.6579 for both). This indicates a recognition of professionalism and quality assurance within the internal audit function. However, lower mean scores for items such as strategic alignment (M = 3.1316) and stakeholder feedback (M = 3.0000) imply that the internal audit function's integration with strategic goals and responsiveness to stakeholder input may require enhancement.

Standard deviations across items range from 0.66886 to 1.33904, reflecting some variability in respondents' experiences or perceptions, particularly concerning alignment with strategic goals (SD = 1.33904) and feedback mechanisms (SD = 1.11915). Such variability may point to inconsistent implementation across different departments or agencies.

While there is a foundation of professionalism and standards adherence within internal audit units, the findings suggest that deeper strategic alignment and improved feedback mechanisms could strengthen internal audit effectiveness and, by extension, financial accountability in Uganda's government agencies.

4.3.2 Level of financial accountability in Uganda's government agencies.

Table 4.3: Level of financial accountability in Uganda's government agencies.

| Item | Mean | SD |
|-------------|-------------|-----------|
|-------------|-------------|-----------|

Transparency of Public Finances

| | | |
|--|--------|---------|
| The budgeting process within the agency is designed to produce reliable financial forecasts. | 3.5526 | 0.72400 |
| The effectiveness of policy-based budgeting is assessed to ensure alignment with organizational goals | 3.5526 | 0.72400 |
| Stakeholder involvement is encouraged in the management of the agency's assets and liabilities. | 3.5526 | 1.10765 |
| The agency employs effective strategies for managing its assets and liabilities. | 3.4211 | 0.91921 |
| Policies are in place to guide the management of assets and liabilities to enhance financial accountability. | 3.3947 | 1.02771 |
| Mechanisms are in place to audit and verify the transparency of public finance management. | 3.3421 | 0.87846 |
| The agency develops its fiscal strategy and budgeting processes based on established policies. | 3.3158 | 0.90360 |
| Stakeholders are informed about the reliability of budget projections and the assumptions underlying them. | 3.3158 | 0.90360 |
| Historical data is utilized to enhance the reliability of budget estimates in the agency. | 3.2895 | 0.73182 |
| Stakeholder perceptions of transparency in financial practices are regularly assessed. | 3.2368 | 0.75101 |
| Stakeholders are engaged in the development and review of policy-based fiscal strategies. | 3.2105 | 0.70358 |
| The agency ensures transparency in its financial reporting processes to stakeholders. | 3.2105 | 0.70358 |
| Compliance with policy-based fiscal strategies is regularly monitored and reported. | 3.2105 | 1.06943 |
| Regular assessments of asset and liability management practices are conducted to ensure financial health. | 3.1316 | 1.11915 |

| | | |
|--|--------|---------|
| Regular evaluations of budget reliability are conducted to identify areas for improvement. | 3.0000 | 0.92998 |
| Public access to financial information is prioritized to enhance accountability within the agency. | 3.0000 | 0.77110 |

The results on Transparency of Public Finances indicate a moderate level of agreement among respondents regarding the presence and implementation of mechanisms aimed at enhancing financial accountability in Uganda’s government agencies. The highest-rated items ($M = 3.5526$) include the design of the budgeting process to produce reliable financial forecasts, the assessment of policy-based budgeting effectiveness, and the encouragement of stakeholder involvement in managing agency assets and liabilities. These findings suggest that core budgeting and participatory practices are relatively well institutionalized, though the high standard deviation for stakeholder involvement ($SD = 1.10765$) may reflect inconsistencies in stakeholder engagement across different agencies.

Conversely, several items received lower mean scores, such as public access to financial information ($M = 3.000$, $SD = 0.7711$) and regular evaluation of budget reliability ($M = 3.000$, $SD = 0.92998$), indicating room for improvement in transparency practices. Similarly, mechanisms for stakeholder engagement in fiscal strategy development and perceptions of transparency also scored relatively low ($M \approx 3.2105$), suggesting a lack of systematic inclusion and communication with stakeholders.

While foundational processes for financial transparency exist, the data point to a need for strengthening proactive disclosure, stakeholder feedback mechanisms and consistent monitoring to ensure a more transparent and accountable public finance environment.

4.4 Inferential statistics

4.4.1 Relationship between internal audit effectiveness and financial accountability in Uganda's government agencies.

Table 4.4: Correlation analysis

| | 1 | 2 | 3 | 4 | 5 |
|----------------------------------|--------|--------|--------|--------|-------|
| Gender (1) | 1.000 | | | | |
| Years in current position (2) | .758** | 1.000 | | | |
| Government Agency (3) | .862** | .865** | 1.000 | | |
| Internal Audit Effectiveness (4) | 0.096 | -0.114 | 0.029 | 1.000 | |
| Financial Accountability (5) | 0.034 | -0.138 | -0.129 | .716** | 1.000 |

** . Correlation is significant at the 0.01 level (1-tailed).

The correlation matrix for the study on internal audit effectiveness and financial accountability in Uganda's government agencies reveals a strong and statistically significant positive relationship between internal audit effectiveness and financial accountability ($r = .716$, $p < 0.01$), indicating that improvements in internal audit practices are closely associated with enhanced financial accountability. Additionally, there are very high and significant intercorrelations among demographic variables, particularly between gender and years in current position ($r = .758$, $p < 0.01$), and between gender and government agency ($r = .862$, $p < 0.01$), suggesting potential multicollinearity or structural associations in respondent characteristics. However, there are no significant correlations between demographic factors and the key study variables (internal audit effectiveness and financial accountability), implying that demographic factors may not directly influence the primary constructs under investigation. These findings underscore the central role of internal audit effectiveness in promoting transparency and accountability, independent of demographic backgrounds.

4.4.2 Regression analysis

Table 4.5 Regression analysis

| Model | | Unstandardized | | Standardized | | t | Sig. |
|-------|-------------------------------------|-----------------|------------|--------------|--|--------|-------|
| | | B | Std. Error | Beta | | | |
| 1 | (Constant) | 1.663 | 0.253 | | | 6.560 | 0.000 |
| | GENDER | 0.180 | 0.094 | 0.413 | | 1.914 | 0.064 |
| | Number of years in current position | 0.056 | 0.047 | 0.249 | | 1.190 | 0.242 |
| | Govt Agency | -0.179 | 0.068 | -0.701 | | -2.642 | 0.013 |
| | Internal Audit Effectiveness | 0.473*** | 0.072 | 0.748 | | 6.520 | 0.000 |

a. Dependent Variable: FINANCIAL_ACC

The regression results highlight the significant role of internal audit effectiveness in predicting financial accountability within Uganda's government agencies. The standardized beta coefficient for internal audit effectiveness is 0.748, with a statistically significant p-value ($p < 0.001$), indicating a strong and positive relationship. This suggests that improvements in internal audit effectiveness are associated with substantial increases in financial accountability, and it serves as the most influential predictor in the model. The high t-value (6.52) further reinforces the robustness of this relationship, demonstrating that internal audit functions are instrumental in driving accountability outcomes in the public sector.

Other predictors, including gender, number of years in the current position, and agency type, show mixed and mostly non-significant results. While gender has a moderately positive effect ($\beta = 0.413$, $p = 0.064$), it does not reach conventional levels of statistical significance, indicating a marginal influence. The number of

years in position is also not statistically significant ($p = 0.242$), suggesting that tenure does not substantially affect perceptions of financial accountability. Interestingly, the government agency type is negatively associated with financial accountability ($B = -0.701$, $p = 0.013$), implying that structural or contextual differences among agencies may inhibit transparency and accountability practices. These findings collectively emphasize the central role of internal audit effectiveness while highlighting institutional disparities that warrant further inquiry.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

Based on the objectives of the study, this chapter presents discussions, recommendations and conclusions, which explored the relationship between internal audit effectiveness and financial accountability

5.1 Discussion of Findings

This section discusses the findings of the study in relation to the objectives outlined in the research, comparing them with existing literature to determine alignment and divergence.

Objective 1: Assess the Level of Internal Audit Effectiveness in Uganda's Government Agencies

The study's findings indicate a moderately high level of internal audit effectiveness among Uganda's government agencies, with mean scores ranging from 3.2 to 3.7 on a 5-point Likert scale. Notably, adherence to professional standards ($M = 3.7368$) and the professionalism of internal auditors ($M = 3.6579$) received the highest ratings. These results align with prior research by Arena and Azzone (2009), which emphasizes the importance of professional standards in enhancing the effectiveness of internal audits. The positive ratings regarding recruitment practices and systematic reviews further suggest that internal audit departments have established foundational mechanisms necessary for ensuring audit quality, consistent with findings from Drogalas et al. (2015).

However, lower mean scores for strategic alignment with organizational goals ($M = 3.1316$) and the utilization of feedback mechanisms ($M = 3.0000$) highlight persistent

gaps in the responsiveness and adaptive capacity of audit functions. This discrepancy indicates that while internal audit units may operate within recognized regulatory frameworks, their integration into broader organizational learning and strategic decision-making remains insufficient. Such findings resonate with those of Dittenhofer (2001), who argued that internal audits must not only focus on compliance but also actively contribute to achieving organizational objectives.

The variability in standard deviations across effectiveness items, particularly those exceeding 1.0, suggests significant heterogeneity among agencies, likely stemming from differences in institutional maturity and leadership commitment. This observation aligns with Eisenhardt's (1989) assertion that internal audit effectiveness can be significantly influenced by organizational context. Importantly, the lack of significant correlation between internal audit effectiveness and demographic variables such as gender, years in position, or agency type indicates that institutional-level practices primarily shape audit effectiveness, reinforcing the need for systemic reforms to enhance audit functions as strategic governance instruments.

Objective 2: Examine the Level of Financial Accountability in Uganda's Government Agencies

The results reveal a similarly moderate level of financial accountability, with several items scoring just above the midpoint ($M = 3.00-3.55$). The highest mean scores were observed in the budgeting process and policy-based budgeting effectiveness (both $M = 3.5526$), reflecting institutional awareness and procedural alignment with fiscal planning frameworks. These findings are consistent with Barth (2015), who noted that effective budgeting processes are critical for enhancing financial accountability.

However, critical components such as public access to financial information ($M = 3.0000$) and the evaluation of budget reliability ($M = 3.0000$) received the lowest ratings, indicating persistent deficiencies in transparency and public engagement. The variability in stakeholder involvement and compliance monitoring further suggests that while policies may be in place, their operationalization remains uneven. This aligns with Sam et al. (2024), who highlighted that transparency and stakeholder engagement are essential for fostering trust and accountability in public institutions.

The absence of significant correlations between demographic factors and financial accountability implies that these practices are shaped by systemic institutional features rather than individual characteristics. Consequently, strengthening financial accountability will necessitate not only technical enhancements in reporting and evaluation tools but also the cultivation of norms and cultures that prioritize transparency and responsiveness. This multi-level approach to reform is supported by the findings of Nahar and Yaacob (2011), who emphasized the need for broader accountability frameworks that extend beyond traditional financial metrics.

Objective 3: Establish the Relationship Between Internal Audit Effectiveness and Financial Accountability in Uganda's Government Agencies

The study provides compelling evidence of a strong and statistically significant relationship between internal audit effectiveness and financial accountability ($r = 0.716$, $p < 0.01$). Regression analysis further substantiates this relationship, with internal audit effectiveness emerging as the strongest predictor of financial accountability ($\beta = 0.748$, $p < 0.001$). These findings resonate with Bananuka et al. (2018) and Msindwana and Ngwakwe (2022), who found that effective internal audit functions significantly contribute to accountability in public institutions.

The robustness of the relationship remains consistent even after controlling for demographic variables, indicating that internal audit functions are instrumental in driving accountability outcomes in the public sector. This highlights the strategic value of internal audits not merely as compliance tools but as levers for institutional accountability and improved public financial governance. The findings support the argument that internal audit reform is central to broader efforts aimed at enhancing public sector governance in Uganda and similar developing contexts, as highlighted by Cohen and Sayag (2010).

5.2 Conclusion

In conclusion, this study has highlighted the significant role of internal audit effectiveness in enhancing financial accountability within Uganda's government agencies. While the findings indicate a moderately high level of internal audit effectiveness and financial accountability, they also reveal critical areas for improvement, particularly in aligning audit functions with organizational goals and enhancing transparency practices. The strong relationship between internal audit effectiveness and financial accountability suggests that reforms targeting the internal audit function can lead to better governance outcomes in the public sector.

5.3 Recommendations

Based on the findings, the following recommendations are proposed:

Enhance Strategic Alignment: Agencies should focus on integrating internal audit activities with organizational goals to ensure that the audit function contributes to strategic decision-making processes. This can be achieved through regular assessments and adjustments of audit priorities based on stakeholder feedback.

Strengthen Feedback Mechanisms: Establishing robust feedback channels between internal auditors and stakeholders is essential for improving audit quality and

relevance. This can be facilitated through regular consultations and stakeholder engagement initiatives.

Capacity Building: Continuous professional development opportunities should be provided to internal auditors to enhance their skills and competencies, ensuring they remain abreast of evolving standards and practices.

Promote Transparency: Agencies should prioritize public access to financial information and engage stakeholders in the budgeting process to enhance transparency and accountability.

Policy Reforms: Government institutions should consider policy reforms that support the independence and quality of internal audit functions, thereby reinforcing their role as critical governance tools.

5.4 Limitations

This study has several limitations that should be acknowledged. Firstly, the reliance on self-reported data may introduce response bias, as participants may provide socially desirable answers, potentially impacting the accuracy of the findings. Secondly, the cross-sectional nature of the study limits the ability to establish causal relationships between internal audit effectiveness and financial accountability, as data was collected at a single point in time. This design does not capture changes over time or account for confounding factors that may influence the observed outcomes.

5.5 Areas for Further Study

Future research should consider employing longitudinal or experimental designs to address the limitations of this study and provide a more robust understanding of the dynamics between internal audit effectiveness and financial accountability. Additionally, exploring the specific factors that contribute to variations in internal

audit effectiveness across different agencies could yield valuable insights for targeted interventions. Further investigations into the impact of technology on enhancing internal audit functions and financial accountability practices in the public sector would also be beneficial.

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APPENDICES

APPENDIX: I: Questionnaire

Dear respondent,

I am a Postgraduate student, pursuing a Degree of Master of Business Administration. I am undertaking a study titled "Internal Audit Effectiveness and Financial Accountability in Uganda's Agency" as a partial fulfillment for the award. You have been identified as a resourceful person for this study. Please take a few minutes of your precious time to answer the following questions. Whatever response you give is purely for academic purposes and will be kept with utmost confidentiality.

Section A

Background Information

For each of the following questions, please tick what applies to you.

A1. Gender:

i) Female

ii) Male

A2. Number of years in your current position:

i) Less than 1 year

ii) 1-3 years

iii) 4-6 years

iv) More than 6 years

A3. Agency:

i) MoFED

ii) Autonomous agency

iii) Semi-autonomous agency

Section B

Instructions:

For each statement below, please select the response that best represents your level of agreement.

Use the following scale:

Strongly Agree = 1

Agree = 2

Not Sure = 3

Disagree = 4

Strongly Disagree = 5

| | INTERNAL AUDIT EFFECTIVENESS | 1 | 2 | 3 | 4 | 5 |
|-------------|--|----------|----------|----------|----------|----------|
| Code | Alignment with Organizational Objectives | | | | | |
| A01 | The internal audit function effectively aligns its activities with the strategic goals of the Directorate of Ministry of Finance Planning and Development. | | | | | |
| A02 | Internal auditors actively engage with departmental leadership to ensure that audit priorities reflect organizational objectives. | | | | | |
| A03 | The alignment of internal audit activities with organizational objectives is regularly assessed and adjusted as necessary. | | | | | |
| A04 | Stakeholder feedback is utilized to enhance the alignment of internal audit activities with the goals of the agency. | | | | | |
| | Compliance with Professional Standards | 1 | 2 | 3 | 4 | 5 |
| CPS1 | The internal audit department adheres to established professional standards and guidelines in its operations. | | | | | |
| CPS2 | Regular assessments are conducted to evaluate compliance with internal audit professional standards within the agency. | | | | | |
| CPS3 | The internal audit team receives ongoing training to maintain compliance with evolving professional standards. | | | | | |
| CPS4 | Mechanisms are in place to address any identified non-compliance with professional standards in internal auditing. | | | | | |
| | Quality and Timeliness of Reporting | 1 | 2 | 3 | 4 | 5 |
| QTR1 | Internal audit reports are produced in a timely manner to facilitate decision-making within the agency. | | | | | |

| | | | | | | |
|------|---|----------|----------|----------|----------|----------|
| QTR2 | The quality of internal audit reports meets the expectations of stakeholders in the Ministry of Finance Planning and Development. | | | | | |
| QTR3 | Feedback from report recipients is collected to improve the quality and relevance of internal audit reporting. | | | | | |
| QTR4 | The internal audit department implements a systematic review process to enhance the quality of its reporting. | | | | | |
| | Competence & Professionalism of Internal Auditors | 1 | 2 | 3 | 4 | 5 |
| CPA1 | The internal audit team possesses the necessary skills and qualifications to perform their duties effectively. | | | | | |
| CPA2 | Professional development opportunities are provided to internal auditors to enhance their competence and professionalism. | | | | | |
| CPA3 | Internal auditors demonstrate a high level of professionalism in their interactions with stakeholders. | | | | | |
| CPA4 | The recruitment process for internal auditors emphasizes the importance of competence and professionalism. | | | | | |
| | FINANCIAL ACCOUNTABILITY | | | | | |
| | Transparency of Public Finances | 1 | 2 | 3 | 4 | 5 |
| TPF1 | The agency ensures transparency in its financial reporting processes to stakeholders. | | | | | |
| TPF2 | Public access to financial information is prioritized to enhance accountability within the agency. | | | | | |
| TPF3 | Mechanisms are in place to audit and verify the transparency of public finance management. | | | | | |
| TPF4 | Stakeholder perceptions of transparency in financial practices are regularly assessed. | | | | | |
| | Budget Reliability | 1 | 2 | 3 | 4 | 5 |
| BR1 | The budgeting process within the agency is designed to produce reliable financial forecasts. | | | | | |
| BR2 | Historical data is utilized to enhance the reliability of budget estimates in the agency. | | | | | |

| | | | | | | |
|-------|--|----------|----------|----------|----------|----------|
| BR3 | Regular evaluations of budget reliability are conducted to identify areas for improvement. | | | | | |
| BR4 | Stakeholders are informed about the reliability of budget projections and the assumptions underlying them. | | | | | |
| | Management of Assets and Liabilities | 1 | 2 | 3 | 4 | 5 |
| MAL1 | The agency employs effective strategies for managing its assets and liabilities. | | | | | |
| MAL2 | Regular assessments of asset and liability management practices are conducted to ensure financial health. | | | | | |
| MAL3 | Stakeholder involvement is encouraged in the management of the agency's assets and liabilities. | | | | | |
| MAL4 | Policies are in place to guide the management of assets and liabilities to enhance financial accountability. | | | | | |
| | Policy-Based Fiscal Strategy and Budgeting | 1 | 2 | 3 | 4 | 5 |
| PBFS1 | The agency develops its fiscal strategy and budgeting processes based on established policies. | | | | | |
| PBFS2 | Compliance with policy-based fiscal strategies is regularly monitored and reported. | | | | | |
| PBFS3 | Stakeholders are engaged in the development and review of policy-based fiscal strategies. | | | | | |
| PBFS4 | The effectiveness of policy-based budgeting is assessed to ensure alignment with organizational goals | | | | | |

Thank you for your time

Appendix II: Number of Government Agencies in Uganda

| Number of agencies | Name of the agency |
|----------------------|---|
| | Departments in the directorate of MOFPED |
| | Directorate of Economic Affairs |
| 1 | Macroeconomic Policy Department |
| 2 | Aid Liaison Department: |
| 3 | Projects Analysis and Public Investment Department |
| | Budget Directorate |
| 1 | Budget Policy and Evaluation Department |
| 2 | Infrastructure and Social Services Department |
| 3 | Cash Policy Department |
| | Office of the Accountant General |
| 1 | Public Sector Accounts Department |
| 2 | Treasury Services Department |
| 3 | Internal Audit Department |
| 4 | Treasury Inspectorate Department |
| 5 | Forensics and Risk Management Department |
| | Directorate of Financial Services |
| 1 | Financial Services Department |
| 2 | Procurement Policy and Management Department |
| | Policy, Planning, and Support Services |
| 1 | Cabinet and Parliamentary Affairs Department: |
| 2 | IT & Performance Audit Department |
| Sub total =15 | |
| | Semi-Autonomous Agencies |
| 1 | Enterprise Uganda |
| 2 | Capital Markets Authority |
| 3 | Tax Appeals Tribunal |
| 4 | National Lotteries Board |
| 5 | Uganda Retirement Benefits Regulatory Authority (URBRA) |

| | |
|---------------------|---|
| 6 | Population Secretariat |
| 7 | Uganda Investment Authority |
| 8 | Microfinance Support Center |
| 9 | Private Sector Foundation Uganda |
| 10 | Privatization Unit |
| 11 | Uganda National Council for Science and Technology |
| 12 | Economic Policy Research Centre |
| 13 | Financial Intelligence Authority |
| 14 | Uganda Free Zones Authority |
| 15 | Public Procurement and Disposal of Public Assets (PPDA) Tribunal |
| Subtotal=15 | |
| | Autonomous Agencies |
| 1 | Bank of Uganda |
| 2 | Uganda Bureau of Statistics |
| 3 | Insurance Regulatory Authority of Uganda |
| 4 | Uganda Road Fund |
| 5 | National Social Security Fund |
| 6 | National Planning Authority |
| 7 | Public Procurement and Disposal of Public Assets Authority (PPDA) |
| 8 | Uganda Revenue Authority |
| 9 | Uganda Property Holdings Limited |
| 10 | Pride Microfinance and Postbank Uganda |
| Subtotal =10 | |
| Total = 40 | |

Source: MoFPED, (2024)

Appendix iii: Determination of the Sample Size

| N | S | N | S | N | S | N | S | N | S |
|----|----|-----|-----|-----|-----|------|-----|--------|-----|
| 10 | 10 | 100 | 80 | 280 | 162 | 800 | 260 | 2800 | 338 |
| 15 | 14 | 110 | 86 | 290 | 165 | 850 | 256 | 3000 | 341 |
| 20 | 19 | 120 | 92 | 300 | 169 | 900 | 269 | 3500 | 346 |
| 25 | 24 | 130 | 97 | 320 | 175 | 950 | 274 | 4000 | 351 |
| 30 | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500 | 354 |
| 35 | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000 | 357 |
| 40 | 36 | 160 | 113 | 380 | 191 | 1200 | 291 | 6000 | 361 |
| 45 | 40 | 170 | 118 | 400 | 196 | 1300 | 297 | 7000 | 364 |
| 50 | 44 | 180 | 123 | 420 | 201 | 1400 | 302 | 8000 | 367 |
| 55 | 48 | 190 | 127 | 440 | 205 | 1500 | 306 | 9000 | 368 |
| 60 | 52 | 200 | 132 | 460 | 210 | 1600 | 310 | 10000 | 370 |
| 65 | 56 | 210 | 136 | 480 | 214 | 1700 | 313 | 15000 | 375 |
| 70 | 59 | 220 | 140 | 500 | 217 | 1800 | 317 | 20000 | 377 |
| 75 | 63 | 230 | 144 | 550 | 226 | 1900 | 320 | 30000 | 379 |
| 80 | 66 | 240 | 148 | 600 | 234 | 2000 | 322 | 40000 | 380 |
| 85 | 70 | 250 | 152 | 650 | 242 | 2200 | 327 | 50000 | 381 |
| 90 | 73 | 260 | 155 | 700 | 248 | 2400 | 331 | 75000 | 382 |
| 95 | 76 | 270 | 159 | 750 | 254 | 2600 | 335 | 100000 | 384 |

Note: "N" is population size

"S" is sample size.

Source: *Krejcie and Morgan, (1970)*