

**PUBLIC ACCOUNTABILITY AND THE PERFORMANCE IN LOCAL  
GOVERNMENTS: A CASE STUDY OF PALLISA DISTRICT**

**BY**

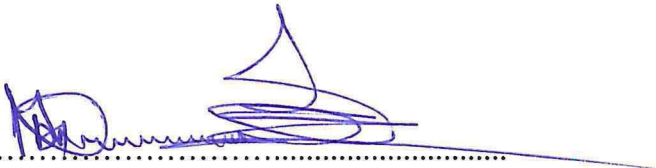
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**DISSERTATION SUBMITTED TO GRADUATE SCHOOL IN PARTIAL  
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MASTERS DEGREE IN ORGANIZATIONAL PUBLIC  
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## DECLARATION

I, **MAYANJA IDI MUBARAK**, declare that the information in this dissertation is original and a result of my independent study. This dissertation has not been published and or tendered for any other degree award to any other university before.

Signature ..... 

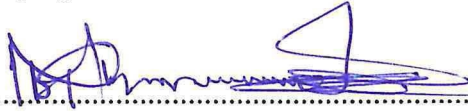
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## APPROVAL

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## **DEDICATION**

This dissertation is dedicated to my late father Babalanda Mboizi Dan Daka that you did not live to celebrate this achievement with me. I miss you Dad.

## ACKNOWLEDGEMENT

The author would be unfair to produce this piece without recognizing the big names that have been instrumental in the production of this dissertation. I am greatly indebted to Dr. Jacob L.Oyugi for his professional guidance, motivation and dedication in pursuing this qualification and during the writing of this dissertation.

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Most importantly the success of this dissertation resides with the Almighty Allah without whose intervention, guidance and grace, I would not have fulfilled this academic ambition.

## ACRONYMS

CAO	:	Chief Administrative Officer.
CG	:	Central Government.
DANIDA	:	Danish International Development Association.
DEC	:	District Executive Committee.
CI DA	:	Canadian International Development Agency.
GOU	:	Government of Uganda.
IFMS	:	Integrated Financial Management System
LGs	:	Local Governments.
PDLG	:	Pallisa District Local Government
MOFPED	:	Ministry of Finance and Economic Planning.
MOPs	:	Ministry of Public Service.
NGOs	:	Non Government Organization
PSRP	:	Public Service Reform Programme.
SIDA	:	Swedish International Development Association.
UNICEF	:	United Nations Children's Fund.
UPE	:	Universal Primary Education.
UPPC	:	Uganda Printing and Publishing Cooperation
USAID	:	United States Agency for International Development

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## ABSTRACT

The study sought to assess the effect of public accountability on performance of Local Governments using the Pallisa District Local Government as a case study. Specifically, the objectives of the study were to: determine how the quality of internal controls affects performance within PDLG, assess how effective budget implementation affects performance within PDLG, examine how value for money audits have influenced performance within PDLG, and establish the relation between good public accountability and performance within PDLG.

The methodology employed was cross sectional design and correlation design using both quantitative and qualitative methods of data collection and analysis. Using a well designed questionnaire and interview guides accurate information was collected. The data was analysed through descriptive methods and the correlation matrix.

The key findings from the study included the following: under objective one, there was a significant positive relationship between internal control quality and performance ( $r=0.422^{**}$ ,  $P=0.000, 0.01$ ) and under this construct management respects financial, budgetary, expenditure, revenue and purchase controls among other controls in place. Complete adherence to stipulated regulations and rules, inability to make advances to officers before previous accountabilities and stringent penalties for all those failing to make adequate accountabilities are all improving the quality of internal controls and accountability in general, the study objective two found out that there was a significant positive relationship between effective budget implementation and LG performance, ( $r=0.404^{**}$ ,  $P=0.000, 0.01$ ) stakeholders often participate in the budget implementation phase, objective three found that there was a significant positive relationship between quality accounting system and value for money audits and LG performance has good accounting system characterised by strong IFMS system, but value for money audits is still a challenge which has compromised on the efficiency and economy on utilization of public resources. Lastly the study revealed that there is a strong relationship between Public accountability variables and performance. In a nut shell an increase on the sub variable of public accountability leads to an increase of performance and vice versa.

Some of the recommendations made were; Quality of internal controls should be strengthened through the introduction of ICTs, skills enhancement for local government staff and increasing public vigilance on the affairs of the local government, The internal audit department should be strengthened through enhancement of their facilitation to minimise the few cases of being compromised by some senior officers aimed at covering up the audit queries. The budget implementation process should be very inclusive of all the stakeholders to increase the benefits of the budget outputs, there should be a strong budget desk at PDLG to minimise the few cases of budgetary slacks like diversion through intensive monitoring of budget implementation. Accounting systems like IFMS should also be extended to the lower local government (sub counties) if the district is to have a sustainable accounting system. The District authority should devise mechanisms of executing value for money audits if they are to benefit in the efficient and economic utilization of public resources for quick accelerated service delivery.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

The subject matter of public accountability has continued to dominate a number of policy debates in both developing and developed economies. The involvement of the International Monetary Fund, the World Bank and other development partners has made the concept a catch phrase in a number of development debates. This chapter provides a detailed study background, rationale for the study, objectives and scope.

### 1.1 Background to the study

The need for effective public accountability arises because of the chronic poor performance of the public sector in most developing nations. In practice, the interest of those who have effective control over government agencies differ from the interests of those who benefit from the actual services delivered by the government agency (Scott, 2006). Such problems are often reflected in management pursuing activities which may be detrimental to the interest of many stakeholders and this can be mitigated through effective internal controls systems and independence of Internal Auditors, strengthening the whole budget implementation and control process, accounting, reports and value for money audits (Dialo and Gafunba, 2009). Broadly, public accounting is defined as ‘the obligations of agencies and public enterprises who have been trusted with the public resources, to be answerable to the fiscal and the social responsibilities that have been assigned to them (Ocaya and Salley, 2003).

Public accountability in governments in the last few years has become an important issue worldwide. The actual performance of the public service globally is now evaluated on the criteria of accountability. More so, where shrinking economies and growing expectations of citizens have indeed forced governments to endeavour to offer value for money. Since the late twentieth century, the Anglo-Saxon world in particular has witnessed a transformation of the traditional bookkeeping function in public administration into a much broader form of public accountability (Schiavo, 2007). This broad shift from financial accounting to public accountability ran parallel to the introduction of New Public Management by the Thatcher-government in the United

Kingdom and to the Reinventing Government reforms initiated by the Clinton-Gore administration in the United States. Both reforms introduced a range of private sector management styles and instruments into the public sector including contract management both within and outside the public sector, the use of performance indicators and benchmarks to evaluate and compare the effectiveness and efficiency of public agencies, to name but a few. Most of these instruments require extensive auditing to be effective. (Shah and Thompson, 2004).

This shift from financial accounting to performance auditing and public accountability can also be observed on the European continent, although the speed and scope differs. Countries with a strong tradition of administrative law and a strong Rechtsstaat, such as France, Germany and Italy, have, on average, been less vigorous in adopting these more managerially oriented styles of governance. Countries like the Netherlands, Sweden, and Finland are intermediate cases (Pollitt et al. 1999: 197; Pollitt & Bouckaert 2005: 98-99).

Public accountability is described as the requirement that those who hold public office should account for that trust to the public. Matovu et al (2010) argue that in other words, “accountability implies that the Public Will is supreme to the private interests of the public official and that without it, power corrupts and absolute power tends to corrupt absolutely”. Public accountability mainly regards matters in the public domain, such as the spending of public funds, the exercise of public authorities, or the conduct of public institutions. It is not necessarily limited to public organisations, but can extend to private bodies that exercise public privileges or receive public funding (Scott 2006). This also impacts on the accounting perspective. Public accountability implies the rendering of account for matters of public interest, i.e. an accounting that is performed with a view to the judgement to be passed by the citizens. In general, one could say that public accountability is accountability in and about the public domain.

In Africa, the public accountability question is more pronounced because of the fragile and infant socio-economic nature of their infrastructure. This shortcoming has made many African states to be dependent on donors in order to fulfil their mandate of provision of social services to the citizens. As a precondition for the release of aid, the donors are increasingly demanding for

accountability and in errant cases aid have been denied. According to (Nesto and Brisca, 2001), public accountability is also being demanded in Africa because of the degeneration of the normal conduct of its leaders who deliberately violate ethical standards. This state of affairs has been attributed to political, cultural and economic factors.

In Uganda, the issue of public accountability became more prominent when central government decentralised local governments in 1993. This is because decentralization implied the transfer of planning, decision making and administrative authority from the central government to local governments. Now that the local leaders were suddenly empowered, some started to abuse the powers entrusted to them so emphasis had to be put on them to account to the electorate and the central government for their actions. At the beginning of the 1990s, Uganda adopted a new development and governance paradigm. Under the policy of decentralization, strong local government units were to become the core mechanism through which effective service delivery and local self governance would be achieved (Aimana et al; 2005). Almost two decades later, the quality of public service delivery is less than desirable; district local governments with no financial resources of their own have become mere agents of the centre while the accountability mechanisms for good governance and public service delivery are either non-existent or malfunctioned.

The fiscal decentralization strategy has been abandoned in favour of a complex system of conditional grants. Local government councils have inevitably evolved into the frontline of patronage politics where local political leaders pay more allegiance to national politicians rather than their electorate who continue to suffer from a breakdown in the public service delivery system (Tumushabe, et al, 2010). Public accountability in Uganda is firmly entrenched in the legal system for instance, the Constitution of the Republic of Uganda 1995 (amended) under objective XXVI emphasises that all public offices shall be held in trust for the people to whom they are answerable. Other legal instruments for accountability include the Local Government Act Cap 243; the Leadership code Act 2002& the Public Finance and Accountability Act 2003. Numerous attempts by Government of Uganda and development partners to fix the problem of local government performance and the quality of public service delivery through effective public accountability. This step has been eminent with setting up of institutions like Inspectorate of

government, Public Accounts Committee of Parliament, Local Government Public accounts Committee, Office of Auditor general all put in place to strengthen public accountability in Ugandan Public Sector. Public accountability has been jeopardized by corrupt and lack of ethics and integrity by public officials where some of employees in accounts departments on many occasions demonstrate negative behaviours such as embezzlement, forgery. A former accountant of Uganda National Medical Stores on September 2009 was sentenced to 21 years in jail for embezzlement of over UGX1.5billion. He was charged with cases of embezzlement causing financial loss, forgery and was found guilty on eight counts (Daily Monitor of Monday, September 7<sup>th</sup> 2009). However controls you may develop but when you are dealing with people who lack integrity, then accountability in public sector will be rendered futile

Given the nature of LG's mandates, effective accountability is necessary for an effective execution of their respective functions. It was thus necessary to investigate the performance of specific accountability attributes and whether such attributes have a bearing on the LG performance.

## **1.2. Statement of the problem**

In Uganda, despite the existence of documented accountability guidelines in the Local Governments Financial and Accounting Regulations, (2007), supported with the community's need for local leaders to be accountable to their respective communities, public accountability still faces a challenge in most of the Local Government. The Local Governments are still grappling with poor internal controls, poor budget implementation controls coupled with poor accounting, reporting and lack of value for money audits. This has greatly exacerbated the high wage bill, unaccounted for funds and escalated administrative/operational costs. Pallisa District Local Government is not exceptional from the rest of local governments in Uganda. This has negatively impacted on the performance of the District, characterised by poor service delivery and failure to account for funds released from central government for the financial year 2011/12 and 2012/13 worthy 222,531,510, and 142,633,000 (Agaba, 2012). On service delivery, the District is grappling with shoddy and uncompleted capital development projects like the Pallisa Gogonyo road, Kapala- Daraja road of which were abandoned by the contractors after they were paid hefty sums of money, the out- patient Department (OPD) of Adali Health Centre which had already developed cracks barely after three month of project completion (Auditor General Report

2010, 2011). The above scenarios provide enough evidence to draw a conclusion that there is no public accountability in Pallisa District Local Government of which it requires research to establish how it has affected performance.

### **1.3. Objectives of the study**

#### **1.3.1 General objective**

To assess the effect of Public Accountability on Performance of Pallisa District Local Government

#### **1.3.2 Specific objectives**

1. To determine how the quality of internal controls affects performance within Pallisa District Local Government.
2. To assess how effective budget implementation affects performance within Pallisa District Local Government.
3. To examine how value for money audits have influenced performance within Pallisa District Local Government.
4. To establish the relationship between good public accountability and performance within Pallisa District Local Government performance.

### **1.4 Research questions**

1. How does the quality of internal controls affect performance within Pallisa District Local Government?
2. How does budget implementation affect performance within Pallisa District Local Government?
3. How has the value for money audits influenced performance within Pallisa District Local Government?
4. What is the relationship between good public accountability and performance of Pallisa District Local Government performance?

### **1.5 Scope of the study**

#### **1.5.1 Geographical scope**

The study was carried out at Pallisa District headquarters, Pallisa Civil Society Organization's Network, Action Aid Pallisa Antenna.

### **1.5.2 Time scope**

The study was covering a period from 2009 to 2013 by which the district was heavily grappling with accountability anomalies.

### **1.5.3 Subject scope**

From a subject perspective, the study examined key attributes of public accountability. These included; quality of internal controls within PDLG, effectiveness of the whole budget implementation within PDLG, value for money audits within PDLG, the quality of accounting system and performance of Pallisa District Local Government.

### **1.6 Significance of the study**

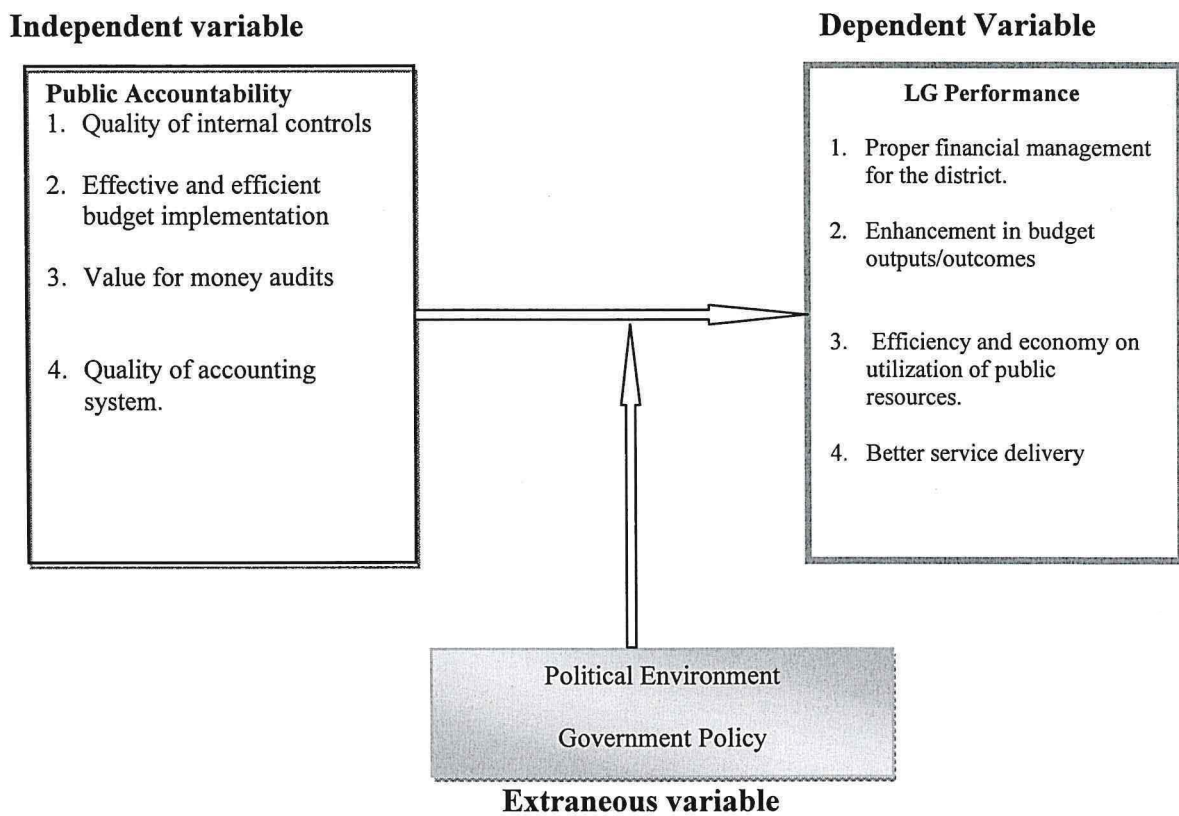
1. The study policy recommendations may assist Pallisa District Local Government top management to enhance performance by improving accountability
2. At Central government level the study policy recommendations would assist in informing the policy makers about public accountability and its relationship with performance in lower local governments in order to come up with plausible remedies to accountability in public sector as a whole.
3. In the academic sphere, the study will add to the few existing body of knowledge on accountability and its relationship to performance in the public sector and stimulate further research on similar related subject.

### **1.7 Theoretical framework**

The study that sought to examine the effect of public accountability on performance of local government was based on Ross, (1973); Meckling and Jensen, (1976); Fama (1880) Principal – Agent theory that argues that the interests of Principal and agents are intrinsically misaligned due to the theory rationality assumption .i.e. Individuals are opportunistic in that they pursue their self- interest sometimes at the expense of others. The principal being the corporate owners they are considered to be the legitimate residual claimants. In public administration and in democratic systems the (voting) population is sovereign and thus the principal (the people) who elects individuals to represent it as well as directly lead each public administration. Thus, elected politicians who govern public administration cannot be considered principals as share holders are in private for profit corporations but agents of the voting population.

The public administrators are delegated agents of the owners and pursue an electoral program which they are expected to implement and account for the delegated authority

**Figure1.1: The conceptual framework for the study about public Accountability and the Performance of Local Governments**



Source: Developed by the researcher: 2013. Based on Huberman (1994)

The conceptual framework shows the relationship between the independent variables [Public accountability factors] (quality of internal controls, effectiveness of the budget implementation, quality of accounting system, and value for money audits within PDLG) and PDLG performance. Performance as dependent variable in this study entails having good financial

management, enhanced budget outputs/outcomes, efficiency and economy on utilization of public resources and better service delivery. However, this can also be impaired by the extraneous variables like the political environment, and Government Policy.

This chapter has explained well the meaning of public accountability, key research objectives, questions and a detailed conceptual framework. The next chapter details works of previous researchers on public accountability and LG performance.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The Literature Review was based on the independent and dependent variables, Public accountability and the performance respectively. The researcher reviewed the sub variables of the independent variable which are quality internal controls, effectiveness of budget implementation, quality of accounting system, and value for money audits. In the same vein, the sub variable of performance, that is to say wage bill, unaccounted for funds, operational costs

On a global perspective, there is a general problem of public finance management and accountability. Indeed, corruption and embezzlement have proved to be habitable diseases for the developing world. From a private perspective, a number of companies have collapsed due to poor governance and poor accountability structures. However, public enterprises have suffered from habitual mismanagement of public finances that have resulted in poor service delivery. Most public projects are abandoned before completion and apparently, in Uganda, there are traces of outright embezzlement of funds despite institutional, regulatory and other statutory controls. This chapter reviews previous literature on various attributes of public accountability and local government performance.

#### **2.2 The rationale for the public sector**

The public sector includes Central Government Ministries, Local Authorities (District Administrations and Urban Authorities) and Parastatals (Public Enterprises and Public Utilities). There are several reasons advanced for the existence of the public sector. The origin of the public sector lies in the fact that an individual has many needs that cannot be satisfied by the individual alone. The individual needs to associate with others in the community to satisfy these needs. The public sector then becomes a collection of people for mutual benefit (Adimara and Curtis, 2001). The Public sector reflects the presence of political, social ideologies and also corrects market mechanisms through fair distribution of income and wealth and budget policies in an economy (Banovic. 2005).

In Uganda, the public sector is largest employer in the economy employing about 15 million people and paying a total wage bill of Shs.160 billion. It accounts for Gross Domestic

Expenditure of about Shs500 billion of which Shs: 221billion is for recurrent expenditure and the rest is for capital or development expenditure. It also provides a number of vital social services and performs both an enabling and regulatory role in the Ugandan economy. Hence the public sector is substantial, necessary and inevitable (Mutebile, 2006).

### **2.3. Importance of public finance management**

Public Finance Management is the process of collection and proper use of financial resources to achieve public sector objectives. It is the fuel that gives life and substance to the engine of public administration, (McKinney & Howard, 1986). It deals with finances of public authorities regarding income and expenditure covering revenue, expenditure, public debt, fiscal policy and financial administration. Public finance management is important not only because the public sector requires income to pay for its expenditure but because of the impact it has on the economy and lives of the citizens. It is important for economic development as it helps allocate resources efficiently, control their use, ensure availability of funds when needed, signals future impact of current management actions and provides appropriate information for decision making (Maitland, 2000). It particularly assumes Critical significance because developing countries are experiencing financial crisis characterized by deficits, high debt repayments, inflation and declining export earnings (Lee and Johnson, 2009)

### **2.4. Public funds accountability**

#### **2.4.1 Internal controls and proper financial management**

Internal controls are methods put in place by an organisation to ensure the integrity of financial and accounting information, meet operational and profitability targets and transmit management policies throughout the organization (Martiz, 2005). Internal controls work best when they are applied to multiple divisions and deal with the interactions between the various business departments. No two systems of internal controls are identical, but many core philosophies regarding financial integrity and accounting practices have become standard management practices.

Internal Audit is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal audit [ IA] is

to assist members of the organization in the effective discharge of their responsibilities and to do this, the IA department furnishes them with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed (UK Institute of Internal Auditors) [IIA]. IA is geared at preventing and disclosing fraud and other forms of financial mismanagement. It is internal in a sense that such audits are “in house” (Omunuk, 1999). According to (Chambers , 1981), Auditing involves the IA department of an organization which is supposed to guide the rest of the organization as regards IA, internal controls and audit manuals in which the whole policy is laid down. Gupta (1992) recognizes internal controls as one of the indicators of IA and goes ahead to define it as “ The plan of the organization and methods, procedures adopted by the management for ensuring as far as practical, the orderly and efficient conduct of its business including management policies, safeguarding company assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information”

#### **2.4.2. Elements of an internal audit**

All the above writers acknowledge the fact that most, if not all organizations have some form of controls in place, however, significant differences in performance of such organizations are recorded. Other factors like resources owned by such organizations, putting into operation of internal controls as stipulated in the operational procedures of such organizations, partly explain such variations. Such controls should be incorporated in all operational aspects of the organization. That alone does not justify rightful operations. A step ahead should be moved to put such controls in operation so that IA is implemented. Effective implementation of internal controls will have a forward implication on the functional aspects of the organization, accounting inclusive. Given that accounting is one of the strong pillars of an organization, internal control implementation should be driven towards the accounting function to boost the accounting performance. It should however be mentioned that there are limitations and loopholes in any system, effective implementation of internal controls does not guarantee absence of inefficiencies in organizational performance, accounting inclusive. Auditing manuals as recommended by the ICPAU and Local Government Financial and Accounting Regulations 2007 are tools of internal audit and should clearly bring out the Auditing procedures that should be followed by all members of the organization to see to it that IA is well implemented. Such

manuals are important in the execution of the accounting function since they act as a guide to the accounting department on the way forward as regards the day today operation of the accounting department. The ICPAU is in agreement with Gupta (1992) on the matter of auditing manuals and their position regarding IA. As a matter of fact, new employees of the organization are informed on the IA function of the organization by the auditing manuals.

### **2.4.3 Objectives of an internal audit**

As Internal Auditors seek to monitor all aspects of the organization, the role of Auditing has expanded to include the following;

To ensure effectiveness of accounting and internal control systems which involve the review of the designs of the system, monitoring the operation of systems by risk assessment and detailing testing, recommending cost effective improvements.

To ensure sufficient & adequate financial and operating information that can involve a review of the means used to identify, measure, classify and report such information and specific entry into individual items including detailed testing of transactions, balances and procedures.

To ensure a proper review of the economy, efficiency and effectiveness of operations.

To ensure a proper review of compliance with laws, regulations and other external requirements and with internal policies and directives, appropriate authorization of transactions.

To ensure that use and access to assets are made only with proper authorization.

To ensure proper implementation of corporate objectives.

(ACCA, Professional Accountant, p.153)

Therefore, neither can we limit the IA to a review of management process in accounting and financial areas only. All the functions of an enterprise must be managed and all can benefit from an independent objective review.

As Internal Auditors seek to monitor all aspects of the or

### **2.4.4 Poor Financial management.**

Many governments are grappling with failure to account for funds which is often attributed to misappropriation of government funds. Often, the presence of limited accountability creates

avenues for inclusion of ghost workers, execution of ghost projects which inflates the costs. There have been several attempts by various governments to reduce this vice and re-direct resources to more vital areas of economic growth and development (Erasmus and Visser, 2010). Unfortunately, such efforts have been futile due to the absence of advanced information systems in most departments of developing economies. Fosu and Ryan, (2009) notes that advanced IT systems would be very instrumental in tracking the flow of funds from the central government to the lower local governments and whether such funds are used efficiently and effectively. Again, the lack of public vigilance is increasing the likelihood of poor financial management. It can be difficult for to indentify incidences of ghost projects, employees without efforts from a whistle blower (Kyambade, 2004; Stasavage and Moyo, 2010)

## **2.5 Budget implementation and Enhancement of budget outputs.**

Harper (1995) defined a budget as a quantitative economic plan made with regard to time. He further emphasized that for something to be characterized as a budget must comprise the quantities of economic resources to be allocated and used, it has to be expressed in economic i.e. monetary terms, it has to be a plan – not a hope or a forecast but an authoritative intention, and it must be made within a certain period of time. Agosto (2005) terms a budget as an instrument of economic policy as it indicates the direction of the government and intention regarding the utilization of the states resources.

According to (Hyde and Shafritz, 1978) a budget is a document indicating how a public institution spends resources in order to realize specific public goals. The report of the proceedings of the senior staff retreat of MoJCA (2010) defined a budget as a statement of revenues the government expects to collect during a financial year, and how it plans to spend those revenues.

Poor budgeting process often increase the likelihood for poor budget outputs. If budgets are not well drafted, followed up, chances are high that funds will not be accounted for well. This is possible especially in developing economies where there are limited IT systems. Failure to have IT systems will imply that allocated budgets will not be effectively monitored. Again, collusion in the departments, un-willingness to follow up and limited public interest are increasing the chances for unaccounted for funds.

### **2.5.1 Public budgets**

According to (Thornhill, 1984), a public budget is an instrument used by the legislative authority, enabling it to guide the economic, social, political and other activities of the community in a certain direction in order to realize predetermined goals and objectives. Budgeting may be defined quite simply as the process of computing budgets and subsequently adhering to them as closely as possible (Maitland, 2000). Ablo and Reinikka (1998) also defined budgeting as the process of preparing and using budgets to achieve management objectives. He refers to budgeting as a systematic and formalized approach for stating and communicating the firm's expectations and accomplishing the planning, coordination and control responsibilities of management in such a way as to minimize the use of given resources. Mathews et al. (1990) also defined budgeting as the process of planning, adopting, executing, monitoring and auditing the fiscal program for the government for one or more future years. It is a process that turns managers' perspectives forward, thereby, looking to the future and planning, managers are able to anticipate and correct potential problems before they arise.

### **2.5.2 Purpose of budgeting**

The system of budgeting allows managers to focus on exploiting opportunities instead of, figuratively speaking and figuring fires, in this way the system provides sustainability to business processes within the company. It is a process of the utmost importance to management. In words of an observer, "few businesses plan to fail but many of those that collapse failed to plan" (Horngren et al; 2000). It can be explained that the purpose of budgeting is to give management an idea of how well a company is meeting their income goals, whether or not expenses are in line with predicted levels, and how well controls are working. He continues to assert that budgeting can reduce unnecessary spending. Viscione, (1984) list objectives, which build a budgeting system as follows. Set acceptable targets for revenues and expenses, increase the likelihood that targets will be reached, provide time and opportunity to formulate and evaluate opinions should obstacles arise.

According to (Martiz, 2005), the most important reason for budgeting in any organization is to ensure that the organization knows how much money it needs, how to get the money it needs and then how to use that money. This therefore calls for a well functioning budget system.

### **2.5.3 The budget process**

According to African Programs Parliamentary Centre (2010), the budget process is essentially about events and activities in the budget cycle involving the determination of resources and their uses for the attainment of government goals. The center argues that a sound budget serves as a tool for economic and financial management and accountability. It can also serve as a mechanism for resource allocation among different needs and priorities as well as bringing about economic stability.

The process of budgeting generally involves an iterative cycle, which moves between targets of desirable performance and estimates of feasible performance until there is, hopefully, convergence to a plan which is feasible and acceptable (Stasavage and Moyo, 1999). Campos et al. (1996) asserts, that in order to understand the budgeting process, it is important to ascertain the basis on which budget decisions are taken, what value considerations are taken into account and what the results of the decisions taken. According to (Thorn hill, 1984), the most important features of a public budget are as follows: The budget is enforceable after approval by the legislative authority and the money allocated has to be spent accordingly. The results of most of the objectives to be realized by the budget are not quantifiable therefore; the taxpayer does not always see or experience the results that were originally intended by the budget. The budget brings together a variety of considerations. Various objectives must be made possible through the budget to achieve the aims of government. Coordination and integration of government activities is therefore essential. The processes for determining the contents of a public budget are unique.

According to (Lee and Johnson, 1989), the budget cycle consists of four clearly distinguishable processes, namely the preparation phase, approval phase, executive phase, and the control phase. The cycle covers a number of steps generally involving the Ministry of Finance as the co-ordinating ministry, other implementing ministries, cabinet and parliament as the legislative body (Africa Programs Parliamentary Centre, 2010).

### **2.5.4 Budget drafting/ preparation**

The drafting stage of the process generally involves the review of the macroeconomic framework and the issue of budget guidelines to spending agencies by the Ministry of Finance. Spending

agencies prepare their budgets based on their strategic plans and in line with the budget guideline. Given that sectors or line ministries are competing for the same limited and scarce national resources, sectors negotiate for adequate allocation of funds by justifying why they should be allocated so much of the limited funds. The executive take the final decision on sectoral allocations based on what they consider is the national priority and authorize the Minister of Finance to prepare the final draft budget for legislative approval.

### **2.5.5 Budget approval**

Approval, made by the legislature is needed to make the budget official. Legislatures have three basic roles: they represent the interests of social and regional groups, they legislate, and they control the expenditure and performance of the executive branch (Bwoch, 2009). The budget is then enacted (meaning the budget becomes law). The budget is tabled before the appropriate parliamentary committee for consideration, which then makes recommendations for Parliament to accept or reject the budget. If accepted, the appropriation bill is passed into law, giving the executive the legal backing to spend. The Annual Appropriation Act empowers the Minister of Finance to allocate money from the Consolidated Fund to spending agencies' votes. The Act also provides powers of reallocation of funds between votes. In some countries the financial bill is also passed into law mandating the executive to raise public funds through taxes and other non tax avenues (Africa Programs Parliamentary centre, 2010).

### **2.5.6 Budget implementation**

Campos, et al (2006) considered budget implementation as management technique involving not only raising of planned funds but also spending the fund as planned. Kyambade (2004) had earlier observed that at the budget implementation stage, management has to ensure that all planned funds are raised and spent on the various planned programmes as per the planned expenditure. This ensures that the set objectives are achieved as desired.

Budget implementation and execution is an important stage of the budget process. It is at this stage that actual revenue collection and service delivery take place. Execution of the budget therefore is about the collection and the accounting for revenue, provision of services and implementation of development projects. During budget implementation the executive releases funds per the appropriations to sector ministries to implement programmes and activities as planned. In practice, budgets are not always implemented in the exact form in which they are approved. This may be due to a number of factors including the fact that several supplementary

expenditures maybe passed during the fiscal year authorizing additional expenditures, which were not provided for in the main budget estimates. Secondly, the approved budget estimates are subject to the availability of funds. Thus a minister of finance and in some cases a committee can decide what requests for funding from spending agencies can be met, given the cash available from revenue receipts. Approval can be sought for adjustment in the in the allocation to some sector ministries if necessary. It is important to note however that poor budget execution can undermine fiscal policy, distort allocations and undermine operational efficiency (Ablo and Reinikka, 1998); (Stasavage and Moyo, 2000). At the same time, overly rigid execution rules can be detrimental to performance (Campos et al; 2006); (Blöndal et al, 2003).

### **2.5.7 Budget control**

Ainama et al, (2005) defined budget control as a process by which an organization provides reasonable assurance that set budgetary goals, objectives and responsibilities are accomplished as planned. It is a means by which an organization's resources are directed monitored and measured Shah and Thompson (2004) and (Arens and Loebbecke, 2000) state that budget control plays an important role in preventing and detecting fraud and protecting the organization's financial resources to ensure they are put to planned use. Monitoring budget performance may be carried out by enforcing accountability through comparing actual and expected performance of each responsible person and addressing deviation if detected. (Shah and Thompson, 2004) explain that budget control involves internal auditing to detect deviances and provide feedback for remedial action and improvement. The most important thing to note about all the preceding observations is that they only describe what a budget curve is about and what it involves but fail to link budget control to delivery of quality services. This gap needs to be addressed.

### **2.5.8 Actors in the budget process**

According to Africa Programs Parliamentary Centre, (2010), it is stated that within the executive, the role of a finance ministry or treasury is to coordinate and drive the budget process in accordance with a schedule. The finance ministry has the economic expertise to prepare macroeconomic projections. These are important in order to assess the amount of money that will be available for spending. The finance ministry also plays a crucial role in formulating fiscal policy, guiding the drafting of the budget, and later in monitoring budget implementation.

Various spending departments are ultimately responsible for expenditures within their jurisdiction, such as justice, health, education, agriculture and so on. Spending departments will often try to extract as many resources as possible, whereas the role of the finance ministry is that of the guardian of the public purse.

International financial institutions and donor agencies play a powerful role in the budget process of poor countries with particularly high levels of foreign debt. When international financial institutions and donors attach stringent conditions to loans, the legislature's role may be severely diminished to rubberstamping budgets that reflect prior agreements between lenders and the executive. To be supportive of sound budget practices, donor funding needs to be transparent and predictable, and full information on such funding should be given in the budget. Increasingly, the negotiations around debt and new financing involve a wider range of state and non-state actors. Consultative Group Meetings, as they are called, have become important opportunities for the private sector and civil society groups to make their voices heard on economic and budget policy issues.

## **2.6. Quality accounting systems and its relationship with performance**

Accounting has been defined as the art of recording, classifying and summarizing in significant manner and in terms of money, transactions, and events which are of a financial character and interpreting the results. Accounting has been identified by scholars as one of the measures of performance in organizations. Meigs et al (1996) describes accounting as the means by which we measure and describe the results of economic activities. Meigs contends that governments use accounting as a basis for controlling their resources and measuring their accomplishments. This view is backed by Goddard (2004) who says that accounting is the most important mechanism for communicating and coordinating the accounts and ensuring accountability. Dialo and Gafunba, (2009) and concur that accounting provides a basis for managers in decision making in the utilization of scarce resources. This is particularly true for management accounting.

Dialo and Gafunba, (2009) also identify financial accounting as one which describes an organizations financial resources and obligations at one point in time. The Local Government Financial and Accounting Regulations [1998] under regulation 8(e) entrust the Chief Finance Officer [CFO] with the role of maintaining approved systems of accounting.

This implies that with good accounting practices, scarce resources will be optimally used hence enhancing performance.

### **2.6.1 Public accounts committee and performance**

The Public Accounts Committee is a committee that was set up by Parliament to scrutinize government accounts. The Public Accounts Committee is provided for under Rule No.148 of the Rules of Procedure and is mandated to examine the audited accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure of government. Ssebuliba says that PAC's work does not only stop at exposing government officials. "Most of the committee's work depends on the recommendations of the Auditor General's reports. At the end of the financial year, the Auditor General's office audits all government accounts to ensure that funds that were appropriated to respective government departments were well spent. Short of that, the Auditor General raises queries on accounts that are lacking in accountability and compiled in a report, which is later sent to all accountability committees to follow up," Ssebuliba says.

The committee scrutinizes the accounts of different government departments, and if any loophole is found, they summon the accounting officers of these departments to account. Accounting officers are required to present valid documents like statutory instruments that authorize transactions, receipts, and account books, among others. When PAC compiles its recommendations, they are forwarded to the different sectoral heads for implementation. When this is done, the Ministry of Finance sends back a report known as a Treasury Memorandum to acknowledge the implementation of the committee's recommendations.

### **2.6.2 Value for money audit and efficiency, economy on the utilization of public resources**

Value for money reviews are a form of operational auditing where management is requiring the internal auditor to extend his/her traditional function to examine the efficiency which relates output to the inputs used and effectiveness which relates output to the inputs used and effectiveness which relates output to the target of the organization. (Sik-wahfong, 1999)

The public sector is invariably short of funds, there are more things it would like to do than the available money it can provide. The government required the facts about an activity under review, verification of transactions, evaluation of efficiency and effectiveness of the activity, recommendations and reporting. It is generally accepted today that modern governments requires accountability. The use of results oriented management was to improve accountability for funds

and ensure consistent monitoring of performance to reflect value for money for tax payer's money.

Many a time adequate reporting, accounting and value for money can increase efficiency, and economy on use of public resources and minimization of costs. As such, all public organisations / agencies put much emphasis on accounting, adequate reporting and ensuring that there is value for money. Absence of these key constructs can escalate chances of unaccounted for funds, inclusion of ghost workers which later on inflate the costs

Value for money was an effective process which would lead to cost savings in addition to many other benefits such as improved systems and procedures. Value for money was essential to capital projects both to reduce costs and to improve the quality of finished projects, value for money has become a key word for evaluation of the government's achievements, however it has also been applied in commercial organization. Public sector capital projects are increasingly subject to National economic pressures, so it is even more important that teams look beyond their projects in developing solutions. The project should satisfy the clients requirements hence get value for his/her money, Managers should be trained in the application for value management practices in the public sector in order to monitor that the community gets value for their taxes in form of services.

### **2.6.3 Relevancy of value for money audits to performance**

In recent years there has been increased use of performance or value-for-money audit and there is some debate over its relative priority compared with financial audit. Many ACCA members believe that the basic objective of the auditor-general is to undertake financial audit - to form an opinion on the probity and regularity of the budget out-turn report and other financial statements. The public audit process provides comfort to the electorate that the government does not spend more in total than was agreed by parliament in the budget and that it has been spent on the goods and services which parliament determined. The public audit process also provides comfort that the public service operates with appropriate propriety and regularity. If the government's spending is not regular and proper then the media will provide the main means by which the adverse audit reports are communicated to the electorate.

The scope of the work of the auditor-general may be extended to performance or value-for-money (VFM) audit if this is considered to be cost effective, especially in governments with sound internal control and low levels of fraud and corruption.

However, some commentators have criticized the move to adopting a value-for-money approach for public audit. 'Tensions exist within the very concept of VFM. Most notable in the eyes of many commentators... is the tension between the theme of fiscal crisis, questions of economy, efficiency and cost control, and the theme of service quality enhancement or effectiveness' (Michael Power, *The Audit Society*, 1997, page 44).

In addition, 'many VFM auditors were caught between the constraints of their competence and a desire for impact' (Shamanan, 2001). Value-for-money or performance audit is a more complex, difficult and expensive approach. Thus, there is a high risk that performance audit itself will not provide value for money. While value for-money consists of the three aspects of economy, efficiency and effectiveness, the emphasis appears to be on economy.

International Monetary Fund (2000) stretches that while there are some differences in the definition of VFM auditing, it is clear from the above definitions that the core of value for money auditing is the framework of economy, efficiency and effectiveness. It gives a detailed description of the three factors in value for money audit as described below:-

**Economy:** Economy may be defined as “minimizing the cost of resources used for an activity having regard to the appropriate quality”. Economy relates to all types of resources such as physical, financial, human and information. The question of economy is relevant to the acquisition of resources. Auditors try to determine whether the resources have been acquired in the right amount, at the right place, and the right time, of right kind and at the right cost. This by itself is not very easy. It presumes that there are standards available to judge whether considerations of economy were kept in view in acquiring resources. One example of a standard for economy is to accept the lowest open bid for buying an asset. But it is not so simple. It is common knowledge that this is not a fool-proof method. Bid-rigging is a practice known in almost all countries. The bidders join hands to suppress genuine competition and thus fool the system of open bidding. Therefore, the crude standard of accepting the lowest bid may not be

sufficient. In this situation when we seek economy in relation to quantity, quality, place, time and cost, more comprehensive standards are required to assess whether economy was observed in acquiring the resources.

**Efficiency:** Efficiency refers to the relationship of inputs and outputs. It is relevant to the use of resources. Examples of efficiency are: teacher-pupil ratio in a school and machine-hours to output ratio in a factory. An increase in output without a corresponding increase in input or getting the same output as before with a reduced input indicates an increase in efficiency. Efficiency is usually a matter internal to the organization. Efficiency does not directly affect the activities of organization's environment, external to it. For example, in the case of a hospital, efficiency measures may measure the utilization of hospital beds, operation theatres or use of drugs, etc. However, such measures may not directly affect the quality of care or the state of disease or health in the community which the hospital is serving.

**Effectiveness:** Effectiveness has been defined as an ends oriented concept that measures the degree to which predetermined goals and objectives for a particular activity or program are achieved (the attainment of the right results from the usage of resources and organizational operations). Of all the meanings attached to the word effectiveness, probably the most common is related to the achievement of goals. Different authors, with different value systems have their own conceptions of effectiveness, but what brings them near one another is goal accomplishment or performance in meeting objectives. This is how legislative auditors have generally viewed effectiveness for their own work. Although, making goal accomplishment central to effectiveness gives it a clear focus, the problems and implications remain very substantial. The literature on effectiveness contains many studies that raise issues surrounding this particular perspective. Findings by the above scholars showed that value for money audits are part and partial of public accountability, and without it accountability can be incomplete. Though other literature contend that value for money is complex and expensive but they concur with other scholars that its needed and necessary if public organizations are to achieve there set goals. However the literature did not have a mention on how so far value for money audits have influenced performance of public organizations which this study seeks to establish

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology that was used during the study. It involves the research design, study population, Sample size and selection, sampling techniques, methods of data collection, instruments for data collection, data collection procedures, reliability and validity of instruments and analysis of data

#### **3.2 Research design**

Cross sectional design was used in assessing respondents' views towards the effect of public accountability and Local Government performance. The design implies that data is gathered just once from a cross section of sources for purposes of answering research questions (Zikmund, 2002). This type of research design utilizes different groups of people who differ in the variable of interest, but share other characteristics such as educational level, employment level, work experience and socioeconomic status. Cross-sectional research design is designed to look at the variable at a particular point in time and focuses on finding relationships between variables at a specific point in time. Cross sectional research design was deemed to be the most appropriate for this study which sought to assess the effect of public accountability on performance of local government in particular Pallisa District. Both the qualitative and the quantitative methods were used because they helped to reduce on the bias in each method for instance the subjectivity associated with qualitative research was minimised by the objectivity of quantitative research. Correlation designs were also used to establish the relationships between the independent and dependent variables.

#### **3.3 Study area**

The study area was Pallisa District Local Government which is located in Eastern part of Uganda boarding Budaka on Eastern, Kumi and Soroti on North, Tororo on South Iganga and Kamuli on the West. It attained the District status in 1991 after separating from Tororo District. She has a population of 357,487 with a land area of 1095km<sup>2</sup>. The mission of the District is to serve the community through a co- coordinated service delivery system which focuses on national and

local priorities and promote sustainable development of the district. She is one of the 112 Higher Local Governments (HLGs) in the country.

### 3.4 Study population and sample

The study population consisted of 161 members who included District Council, District planning Committees, members of Civil Society organisations and Employees within the Local Government. Basing on (Krejcie and Morgan, 1970) sample selection criteria, a sample size of 113 was selected and this was deemed sufficient for the study

**Table1: Sample size within the local government**

Category of respondents	Study population	Sample	Percentage
Member of the district council	40	29	25.66%
Member of district technical planning committee	31	26	23.00%
Member of a civil society organisation	30	19	16.81%
Employee within the local government	60	39	34.51%
Total	161	113	100.00%

### 3.5 Sampling technique and procedure

In determining the sample sizes, the non probability method was used. For this particular study, purposive sampling technique was used. The advantage of purposive sampling is that the researcher can pick on people or events that are critical for research and it is very useful where minority participation is critical. In this case, it was not only informative but economical because data was got only from subjects instead of trial and error like in accidental sampling (Mugenda and Muganda, 2003). The type of purposive sampling used was quota sampling in order to get representation from all the sub groups mentioned in the study population. This helps the researcher to focus on action at the right subgroup. The sampling frame was derived from the official records of the district and this included the entire study population. The researcher constantly checked the sampling frame to determine the completeness and up datedness so that the findings could be generalised to the whole sample (Mugenda 1999).

### **3.5 Sources of data and data collection methods**

#### **3.5.1 Sources of data**

The study employed both primary and secondary research methods to collect data because it helped in inferring after all sources have been sought. The researcher collected primary data using a self-administered questionnaire, in depth interviews and observations. On the other hand, secondary data was collected through documentary review of existing literature relevant to the study.

#### **3.5.2 Data collection instruments**

The researcher used self administered questionnaires on respondents from the sample. The questionnaire covered all the variables under study on a 4 point likert scale ranging from 1=strongly disagree, 2=disagree, 3= agree 4= strongly agree. Personal interviews with the respondents were also carried out to allow further probing and clarification of unclear issues.

#### **Documentary Review**

The technique was important in collection of secondary data. However, this was enhanced through the use of university library facilities, articles in journals, magazines, public libraries and newspapers. This was significant to the researcher during review of pertinent and related literature of the problem under study.

#### **Review of primary documents**

These were found at the District. They included reports, plans, lists, programs memos, etc. These gave raw information about the operations, performance appraisals, and disciplinary measures about poor performance involving corruption and misuse of public resources.

### **3.6 Data presentation and analysis**

#### **3.6.1 Quantitative data analysis**

After collecting data, the results were compiled, sorted, edited and classified and then entered into computer for analysis. Data was analysed using statistical packages for social scientists version 17.0(SPSS V.17.0). Frequency tables and cross tabulations were carried out to describe

the characteristics of the sample. Pearson's correlation tests were done to establish the relationship with the variables in each objectives, the simultaneous multiple regression analysis to show the effect of the relationship between the variables and predict the value of the variance between the independent variables was also done.

### 3.7 . Ethical issues in data collection

Ethics in research imply responsible conduct of research whilst bearing in mind the rights of other people. The researcher made a formal request to interview employees within the selected areas. The request also had a questionnaire accompanying it. Given the fact that this was a very sensitive topic, all survey respondents were informed of their prerogative to remain silent. However, efforts were made to encourage them to respond since information collected was to be treated in the most confidential way. Further, the aspect of anonymity was overemphasized and they were informed that this study was for academic purposes only though results would give a clear picture to bank management on the status of the risk management function.

### 3.8. Reliability tests

To ensure reliability of the instrument and to build confidence that the instrument would yield consistent results over repeated observations (Bagozz, 1984), reliability analysis of the scales in the research instruments was carried out. This was done by performing Cronbach's (1951), Alpha (a) tests.

Table 2. Reliability Assessments

Variable	Cronbach Alpha Value
Internal controls and Independence of Internal Auditors (ICIIA)	0.742
Effectiveness of the whole budget implementation and control process (BICP)	0.754
Accounting system and value for money audits (ASVFM)	0.745
LG Performance	0.751

Source; Primary data

From the above table; all the different sections showed satisfactory alpha values indicating that the instruments were good. Questions were carefully arranged according to the respective variable tested and therefore there was no need for factor analysis.

### **3.9. Limitations of the study**

The inability by the respondents to provide sufficient information in the questionnaires was a challenge due to the sensitivity of the matter. But secondary data was considered as well to close the gap.

The other problem concerned collection of secondary data especially on the relationship between budgeting and service delivery

Time and financial resources were also a limitation, without those constraints, the respondents' contributions would have been larger and the findings more in depth, and in line with the authors' initial aspirations. This task involved strenuous time management to meet both the respondents' and the author's schedules.

The chapter has deeply examined the methodology adopted. The next chapter presents the results of the study

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.1. Introduction**

This chapter discusses the results of the study which is the effect of Public Accountability on performance of Local Governments: A case study of Pallisa District Local Government. The presentation and discussion of the findings were based on the following four research objectives To determine how the quality of internal controls affects performance within Pallisa District Local Government, to assess how budget implementation affects performance within Pallisa District Local Government, to examine how value for money audits have influenced performance within Pallisa District Local Government, to establish the relationship between good public accountability and performance within Pallisa District Local Government performance.

The study sought to answer the following questions; How does the quality of internal controls affect performance within Pallisa District Local Government?, how does budget implementation affect performance within Pallisa District Local Government?, how has the value for money audits influenced performance within Pallisa District Local Government?, what is the relationship between good public accounting system and performance within Pallisa District Local Government performance?. In particular, descriptive and inferential output tables are presented and discussed in this chapter.

#### **4.2. Background information of respondents**

This section discusses the characteristics of the respondents that were relevant to the study. In is case response rate, sex, age, length of service, education level, job category were discussed. To enrich the study results, subjective responses were sought from a sample of respondents belonging to the district technical planning committee, district council and civil society groups.

##### **4.2.1 Response Rate**

The response rate was 100% of the sample size of 113 respondents in respect to the data collection method of questionnaires. In other words, the researcher managed to have 113

questionnaires returned. For the interview guides nine respondents answered while the other one was not accessed either because he was busy or dodged the researcher.

#### 4.2.2. Sex of the Respondents

A total of 113 respondents provided data to the researcher and of these 31.8% were female, and 68.1% were males. This can be highlighted in the table below;

**Table 3: Showing Sex of Respondents**

Sex	Frequency	Percentage
Female	36	31.8
Male	77	68.1
Total	113	100

#### 4.2.3 Age of the Respondents

Of the respondents who provided information, the majority were in the age bracket of 26 to 35 years (34.5%) followed by 36-45 years (29.2%), 46-60 years (23.8%), and 18-25 years (12.3%). There was no respondent below 18 years. The 35% and 29% of respondents in the age bracket of 26-35 and 36-45 respectively implies that the information they gave can be reliable as indicated in the table below;

**Table 4: Showing the Age of the Respondents**

Age Bracket	Frequency	Percentage
From 18-25 years old	14	12.3
From 26-35 years old	39	34.5
From 36 -45 years old	33	29.2
From 46-60 years old	27	23.8
<b>Total</b>	<b>113</b>	<b>100</b>

#### 4.2.4 Highest Educational level of the Respondents

Sample results indicated that majority of respondents had bachelor degrees; 46.90%. 19.47% had qualifications above undergraduate degrees and only 33.63% qualifications below bachelor degrees. The fact that a big number of sample respondents had a degree qualification, it indicates

that questionnaire responses were considered as reliable. They were suggested from an informed perspective. It was important to examine the highest level of qualification. Many a time, competence in accessing the quality of public accountability and local government performance rests upon academic and professional training in such respective areas. Respondents were requested to indicate the highest levels of qualifications as a method of gauging staff quality in a formal public office This is shown in the table below;

**Table 5: Showing the highest educational level of the Respondents**

<b>Educational Level</b>	<b>Frequency</b>	<b>Percentage</b>
Post graduate	22	19.4
Degree level	53	46.9
Below bachelors degree	38	33.6
<b>Total</b>	<b>113</b>	<b>100</b>

#### **4.2.5 Length of service of the Respondents**

It was important to collect information pertaining to length of service since duration is usually associated with increased technical knowhow of activities involved in public accountability and measures of public performance. Majority of the respondents; 52.21% had worked for between 6 and 10 years. A few respondents had worked for more than 16 Years. It can be assumed that such category of staff has vast knowledge in the whole public accountability processes and their responses do add credence to established study results. This is indicated in the table below;

**Table 6: Showing the length of service of the Respondents**

<b>Length of service</b>	<b>Frequency</b>	<b>Percentage</b>
From 1to 5 years	29	25.6
From 6 to 10 years	59	52.2
From 11 to 15 years	14	12.3
More than 16 years	11	09.7
<b>Total</b>	<b>113</b>	<b>100</b>

#### 4.2.6. Job Category of the Respondents

The study results indicate that most of the respondents were at the level of supervisor and general staff (48.6%), 29.2% were managers, and 22.1% were senior management cadres. Given the fact that this study was skewed towards financial matters, these categories of employees are expected to provide pertinent responses in that respect. Therefore, it can be said that the study results are rendered credible as shown below;

**Table 7: Showing the Job category of the Respondents**

Job Category	Frequency	Percentage
Senior Management Cadres	25	22.1
Managers	33	29.2
Supervisors General staff	55	48.6
<b>Total</b>	<b>113</b>	<b>100</b>

#### 4.3. Research Objective One: Quality of internal controls and performance within PDLG

In order to determine the quality of public accountability, it is important to first assess the frequency of usage of various internal controls. A sample of respondents was requested to indicate the level at which some internal controls were used within the local government. It was hypothesised that continued use of these internal controls plays a significant part in enhancing public accountability.

**Table 8: Shows Likert scores for frequency of usage of internal controls within the local Government**

Please indicate the level at which each of the aforementioned controls are used within the local government	Used all the time (4)	Used sometimes (3)	Not sure (2)	Dropped at times (1)
Financial controls.	44%	33%	10%	13%
Budgetary controls.	55%	29%	6%	10%

Expenditure controls.	50%	38%	3%	9%
Revenue controls.	46%	22%	16%	16%
Purchase controls.	33%	40%	10%	17%
Stores/ inventory controls.	38%	44%	10%	8%
Salaries, allowances and claims controls.	58%	22%	14%	6%
Legal controls (contract procedures) and so on.	58%	26%	6%	10%
Cash controls.	54%	22%	16%	8%
Tender board controls.	44%	18%	12%	26%
Circular standing instructions.	46%	24%	8%	22%
Public service regulations.	68%	14%	6%	12%
<b>Total score</b>	594%	332%	117%	157%
<b>Average score</b>	50%	28%	10%	13%

The above results indicate adherence to the present internal controls. Sampled respondents have indicated that officials use financial controls, budgetary controls, expenditure controls and revenue controls among others. 68% agreed that public service regulations are adhered to, 54% agreed that cash controls are followed, 58% agreed that legal controls are duly followed and 38% agreed that stores controls are dully followed. Majority (50%) indicated that the above mentioned internal controls are used all the time. And 28% indicated that the reported internal controls are used sometimes. The reported percentages are evidence to indicate that officials are somehow committed to achieving greater accountability. Many a time, the quality of internal controls affects the quality of accountability in an organisation. As such, it was then imperative to assess the impact posed by the present internal control quality on levels of accountability.

**Table 9: Shows Internal control quality [ICQ].**

Effectiveness of internal controls in reducing un accounted for funds	Strongly Disagree (1)	Disagree (2)	Agree (3)	Strongly agree (4)
The accounts department is strict to accountabilities	6%	22%	10%	62%

Accountability regulations and guidelines are in place	4%	10%	6%	80%
Accountability regulations and guidelines are adhered to by all implementers	8%	8%	21%	63%
No advance is made to officers before he/she accounts for previous funds released to him/her	4%	16%	24%	56%
There are penalties given to those who fail to account for funds in time in the district	15%	11%	21%	53%
There is independence of internal auditors in the district	6%	14%	15%	65%
The internal audit exposes those who fail to account in time without fear or favour	18%	12%	14%	56%
<b>Total score</b>	61%	93%	111%	435%
<b>Average score</b>	9%	13%	16%	62%

An average of 62% indicates strong agreement that indeed the present internal controls are accelerating public accountability. An individual dissection of results indicated that 62% agreed that accounts department has strengthened its level of strictness on accountabilities. In fact, there are no advances made to officers before he/she accounts for previous funds released to him/her (56%). Again, as a further ingredient to strengthened accountability, officials are always advised to completely adhere to stipulated accountability guidelines within the local government (63%). These include the public accounts act, local government finance regulations to mention but a few. Other results indicated increased exposure of such persons that fail to make proper accountabilities (56%).

A review of literature indicates that the quality of auditor independence somehow affects the level of public accountability. An attempt was made to assess the quality of auditor independence within PDLG.

**Table 10: Independence of internal auditors**

Independence of internal auditors for proper accountability	Strongly Disagree (1)	Disagree (2)	Agree (3)	Strongly agree (4)
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Some officials in this LG do obstruct or interfere with PDLG audit activities.	5%	26%	56%	13%
Many a time, our auditors are approached with favours	6%	29%	45%	20%
The reporting relationships within the LG are very appropriate	14%	3%	33%	50%
Our internal auditors are very knowledgeable and highly skilled professionals	6%	21%	29%	44%
Our internal auditors often receive specialised trainings on how to enhance independence	3%	10%	33%	54%
The IA department is fully facilitated	8%	10%	44%	38%
IA reports are made on a timely basis	10%	10%	36%	44%
IA continuously monitors to see that issues in reports are quickly implemented	17%	6%	33%	44%
IA department is effectively supervised	5%	16%	37%	42%
<b>Total score</b>	74%	131%	346%	349%
<b>Average score</b>	8%	15%	38%	39%

Overall, an average score of 77% [39%+38%] indicates that internal auditors are maintainin their independence when performing audit work. Unfortunately, there are some officials who do interfere with proper functioning of the IA staff (26%) and do approach IA staff with favours (29%). On a positive note, IA staff independence has been strengthened by good qualifications and professional development. At least, they are more knowledgeable, highly skilled and qualified not only to effectively perform their tasks but also to effectively execute their functions diligently.

IA staffs are fully facilitated and supervision is very close. A fusion of such close supervision and facilitations enables to effectively perform their functions. They are able to track all the monies spent and this brings in good accountability.

IA reports are submitted on a timely basis and staffs are keen to see whether IA recommendations are fully implemented.

The exhibited high level of staff independence within the IA department is sufficient evidence that all money disbursed must be fully accounted for. Professional staffs are very knowledgeable and always insist on performing their functions according to the law, regulations and policies. It is not surprising that the level of un-accounted for funds is low as compared to other local governments that have weak internal audit departments.

**4.4. Research Objective Two: Effectiveness of the budget implementation [ebi] and LG performance.**

The main focus of this objective was to establish the contribution of effective budget implementation in realization of budget outputs in PDLG. To arrive at the findings under this objective questionnaires and personal interviews were administered to the respondents. The descriptive statistics below detail the quality of the present budget implementation and whether this has led to realization of budget outputs.

The respondents were asked to state whether the budget implementation phase is conducted effectively in PDLG

**Table 11: Shows whether the budget implementation phase is conducted effectively**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	11	10
Agree	59	52
Disagree	25	22
Strongly disagree	18	16
<b>Total</b>	<b>113</b>	<b>100</b>

The above table shows that the budget implementation phase is conducted effectively. At least 52% agreed that the budget implementation phase has been effectively carried out. A budget implementation involves a number of stakeholders and it is carried out in a phased manner. It is hoped that such phases can reduce the likelihood of funds loss. This is also compounded with the secondary literature reviewed from the minutes of District Technical planning committee 2011-13 indicated that budget implementation was effective except some challenges in short falls

in revenues projections due to non compliance with central Government to release funds as budgeted for which negatively impacts on budget effectiveness.

To generate more information about the effectiveness of budget implementation, the respondents were probed whether budget implementation in PDLG was in line with performance targets earlier on indicated in the budget frame work.

**Table 12: Shows whether the phase is implemented in accordance to performance targets**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	35	31
Agree	44	39
Disagree	25	22
Strongly disagree	9	8
<b>Total</b>	<b>113</b>	<b>100</b>

When details were sought, it was noted that to some extent, the effective budget implementation is in line with performance targets. As mentioned earlier, budget implementation is a process performed in a phased manner. This implies that at all stages, there are chances of detecting illegitimate release and use of funds for un-intended activities. The 22% disagreement can perhaps signal some loopholes in the entire budget implementation process. It is possible that some items could be budgeted for and yet they either do not exist or they were never executed. In an interview, one of the members from the civil society organisation mentioned that ‘some members do collude even within the budget implementation phase. This will mean that funds released might never reach the intended beneficiaries. Again, auditors will now collude with such project implementers and this will escalate the amounts of un-accounted for funds’. When auditors collude with insiders or project implementers, it will be very difficult to identify any un-accounted for funds. And this is likely to negatively impact on overall project performance.

**Table 13: Shows whether all stakeholders do participate in the budget implementation phase**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	29	26
Agree	26	23
Disagree	23	20
Strongly disagree	35	31
<b>Total</b>	<b>113</b>	<b>100</b>

Again, respondents generally agreed that not all stakeholders participate in the budget implementation phase. To some extent, this is derailing efforts to maximise budget outputs. When stakeholders do not show maximum interest in the affairs of the local government, it becomes difficult to track misused funds and this will again have negative consequences on performance.

**Table 14: Shows whether appropriation of budgets is done in an effective manner**

	Frequency	Percentage
Strongly agree	61	54
Agree	20	18
Disagree	23	20
Strongly disagree	9	8
<b>Total</b>	<b>113</b>	<b>100</b>

From the above table, respondents generally agreed that all budget appropriations are done effectively. 54% strongly agreed while 18% agreed. Such general agreement is testimony that monies are appropriated to the rightful activities and this, to a very great extent has helped reduce the wage bill. At least good appropriation, performed by competent staff can help eliminate 1) ghost employees on pay rolls and 2) quickly eliminate monies that could have gone to waste on such ghost employees. To some extent, good appropriation is improving the general levels of accountability within PDLG

**Table 15: Shows whether PDLG Staff do spend in respect of approved budgets**

	Frequency	Percentage
Strongly agree	55	49
Agree	28	25
Disagree	19	17
Strongly disagree	11	10
<b>Total</b>	<b>113</b>	<b>100</b>

Again, sampled respondents have agreed that PDLG staff do spend within approved budgets (55%). The ability of officials to contain district expenditure within approved limits not only shows maximum professionalism and good accountability but also helps to contain the wage bill within agreed limits. Un-necessary expenditures have been ingredients to inflated costs.

**Table 16: Shows whether PDLG gets involved in budget slacks like diversion, misappropriation**

	Frequency	Percentage
Strongly agree	34	30
Agree	22	19
Disagree	37	33
Strongly disagree	20	18
<b>Total</b>	<b>113</b>	<b>100</b>

Study results have indicated a split agreement and dis-agreement in regards to budget slacks, diversion and misappropriation. 30% strongly agreed that the Local Government has some budget slacks where as 33% disagreed. It should be mentioned that a 30% agreement is an indication that there is indeed some budget slacks, diversion and misappropriation. There is need for intensified managerial attention in that respect. If this is not immediately addressed, all the reported achievements are likely to be a waste. Diversions and misappropriations are not only working against public accountability regulations but do hinder proper development of the local government.

#### 4.5. Research Objective Three: Quality of Accounting, reporting and Value for money audits [ARVM]

The focus of this objective was to establish whether quality accounting, reporting and value for money audits has enhanced efficiency and economy on use of public resources. In order to assess the quality of accounting, reporting and value for money audits in relation to efficiency and economy on utilization of public resources within PDLG. As such, respondents were requested to comment on the quality of accounting, reports produced and value for money audits and the descriptive statistics are presented below

The study wanted to find out whether there is proper accounting within Pallisa District Local Government in relation to quality accounting and the study findings revealed that there was good accounting in Pallisa District Local Government as shown in the table below

**Table 17: Shows whether there is proper accounting within PLDG**

	Frequency	Percentage
Strongly agree	40	35
Agree	19	17
Disagree	33	29
Strongly disagree	21	19
<b>Total</b>	<b>113</b>	<b>100</b>

The study results indicate that the PDLG has some ‘good accounting’. 35% agreed that there is a proper accounting within the local government. To some extent, proper accounting is supposed to reduce frauds and embezzlements hence efficiency use of public funds. When costs are properly linked to prudent cost centres, it becomes easy to indentify items which should be eliminated or merged so as to reduce frauds. Many a time, poor accounting misleads decision makers to continue funding projects that are even not beneficial to the local government. Reininika, (1999) contend that proper accounting, quality reporting and value for money audits are key ingredients for public accountability and enhance the performance of local governments.

Again to assess the quality of accounting in PDLG a question was posed whether the LG accounts staffs follow the local government financial and accounting procedures and regulations, and the study revealed that the regulations were adhered to in management of the public funds as shown in the table below

**Table 18: Shows whether accounts staff follow the local government financial and accounting procedures and regulations**

Responses	Frequency	Percentage
Strongly agree	40	35
Agree	32	28
Disagree	22	19
Strongly disagree	19	17
<b>Total</b>	<b>113</b>	<b>100</b>

Findings from the respondents show that 35% and 28% strongly agree and agree respectively, 19% and 17% disagree and strongly disagree respectively. This study finding strongly indicates that there is high respect for the financial regulation in PDLG. The 17% and 19% could have seen / witnessed traces of poor financial management, accounting or audit practices. Despite the small numbers, their suggestions are very pertinent and need to be taken seriously. Adequate adherence to accounting and financial procedures is not only a requirement but also helps eliminate cases of fraud within the local government. When accounting procedures are dully followed, it becomes easier to identify sources of unnecessary costs which are increasing the LG's inefficiency in use of public funds.

To assess the quality of reporting in PDLG views were sought from respondents whether quality reports reflected quality works in the field and elicited a positive response as shown in the table below;

**Table 19: Shows whether quality reports reflected quality works in the field**

Responses	Frequency	Percentage
Strongly agree	40	35
Agree	30	27
Disagree	24	21
Strongly disagree	19	17
<b>Total</b>	<b>113</b>	<b>100</b>

The study finding reveals that 35% strongly and 27% agree that the quality reports prepared by public officials in PDLG reflected the quality of works in the field, though there were disagreement with 21% and 17% respectively this cannot impact on the general picture of quality reports and quality works in the district. This finding is supported by the secondary information reviewed from the performance reports made by the internal auditors indicating that the narrative reports were authentic in comparison with the works in the different project sites. The finding also concurs with the Oxford Advanced Learners' Dictionary [2000], a report is defined as something [Verbal or written] that gives people information about what one has seen, heard or done. The quality of a report reflects the quality of work about which a report is written. ‘you cannot do a bad job and then write a good report about it’ and vice versa

Still in assessing the quality of reporting in PDLG, respondents were asked to comment on whether reports were acted upon by the superior and recipients of the reports, However the statement whether reports were reacted upon by the superior was found out that reports were reacted upon and discussed as shown in the table below;

**Table 20: Shows responses whether reports were reacted upon by the superior**

Response	Frequency	Percentage
Strongly agree	44	39
Agree	38	34
Disagree	22	19
Strongly disagree	09	8
<b>Total</b>	<b>113</b>	<b>100</b>

The study result indicate that 39% and 34% respectively were in agreement that reports were reacted upon by the superior, 19% and 8% were in disagreement to the statement. These results corroborated with 60% of the interviews agreeing that there was action taken on reports while 30% disagreed and 10% remained non committal. The study finding is supported by the Pallisa District Council minutes dated 23/10/2012 indicating how reports are reacted upon, discussed and recommendations made.

The study which also sought to ascertain the quality of value for money audit in PDLG and its effect to the efficiency and economy on use of public resources. To establish the quality of value for money audit in PDLG, the views were sought from the respondents whether the district conducts value for money audits for the projects implemented. The responses showed that the issue of value for money audit in PDLG is still a challenge as shown below;

**Table 21: Shows whether PDLG conducts value for money audits for projects implemented so far.**

Responses	Frequency	Percentage
Strongly agree	15	13%
Agree	13	12%
Disagree	37	33%
Strongly disagree	48	42%
<b>Total</b>	<b>113</b>	<b>100%</b>

The study finding above reveal that there are no value for money audits conducted in the district represented by 42% and 33% respectively who are in disagreement, though 13% and 12% agree that value for money audits are conducted in the district. This finding is also supported by the interviews conducted with Pallisa Civil societies 95% respondents concur with the finding that there are no value for money audits conducted in the district. In reacting to the above one respondent from Pallisa Civil Society Net work had this to say about value for money audits in the district.

“We have always demanded for value for money audits for some projects executed by PDLG implementers after we have conducted our own independent audits which always reflect no value for money but the district authority always remain adamant to that effect simply because both the elected and appointed officials are shadow implementers of these projects”

Another member of the civil society noted that “Much of the shoddy works in the district has been as a result of lack of value for money audits so that contractors are compelled to produce quality works which are worthwhile the money invested”

The study finding confirms with (Michael Power, The Audit Society, 1997, page 4) that Public sector capital projects are increasingly subject to National economic pressures, so it is even more important that teams look beyond their projects in developing solutions. The project should satisfy the clients requirements hence get value for his/her money, Managers should be trained in the application for value management practices in the public sector in order to monitor that the community gets value for their taxes in form of services.

**Table 22: Shows whether reports on value for money are submitted to relevant authorities on time**

Responses	Frequency	Percentage
Strongly agree	33	29
Agree	36	32
Disagree	32	28
Strongly disagree	12	11
<b>Total</b>	<b>113</b>	<b>100</b>

Majority (32%) have agreed that value for money reports are submitted as early as possible to the relevant authorities. This is a recommended approach especially in such periods of excessive fraud. Unfortunately, due to increased fraud, it is becoming difficult to attach confidence to the value for money reports. There have been traces of misallocation of funds for non-development activities like elections (Magandanzi, 2007) and this is hampering development efforts of the

local government. Again, excessive collusion between insiders and auditors is likely to jeopardize the quality of the value for money reports.

#### 4.6. Local Government Performance [LGP]

**Table 23: Performance of Pallisa District local government**

Performance of the local government	Strongly Disagree	Disagree (2)	Agree (3)	Strongly agree (4)
There is overall effectiveness at the Local Government.	32%	20%	6%	42%
There has been increase in budget performance (outputs).	34%	16%	10%	40%
There is a reduction in unaccounted for funds.	22%	20%	0%	58%
There is no more shoddy works done by the Local Government.	18%	32%	10%	40%
There is reduction in the number of qualified reports.	38%	22%	12%	28%
The current accounting controls are now very strong	18%	20%	14%	48%
There are very strong penalties for any employee who engages in any form of fraud.	22%	18%	10%	50%
All queries raised by audit staff are attended to immediately.	23%	20%	10%	47%
Efficiency and economy on use of public resources has been enhanced.	42%	27%	8%	23%
<b>Total score</b>	313%	277%	112%	498%
<b>Average score</b>	26%	23%	9%	42%

General performance of the local government was assessed basing on performance measures of the audit staff and how they are empowered to effectively execute their duties and functions.

There is increased effectiveness in the local government, reduction in unaccounted for funds and reduction in qualified reports. There are penalties given to employees caught engaging in fraud, an issue that is perceived to have reduced fraud and embezzlement in the Local Government. On the contrary, efficiency and economy on use of public resources have slightly declined possibly due to lack of value for money audit which stops at only financial audit. The inefficiency is also attributed to management's failure to attend to issues raised by the audit staff in time and senior official's interference in audit activities. Internal Audit staffs are at times blocked to access all the information they need in addition to inadequate facilitation. It was also revealed that Accounting officers are fully aware of the procedures and controls involved in the management of public finances an indication that they deliberately override such key controls; an indication of poor control environment. Gross violation of professional ethics breeds extensive fraud and mismanagement of funds. Overall, there is a poor value for money audit which affects other controls leading to extensive mismanagement of public funds leading to poor service delivery and poor performance of the Local Government

#### **4.7. Research Objective Four: The relationship between good Public Accountability and Pallisa District Local Government Performance**

The focus of the objective was to draw a relationship of the effect of Public accountability on Performance of Pallisa District Local Government. Under this objective the correlation matrix was used.

Pearson's correlation analysis was used to determine the nature (direct or inverse) and the degree of association between two or more variables in this study. Pearson's correlation analysis was preferred since it is a common measure of the relationships between numerical variables measured on likert scale (Tull and Hawkin's, 1987).

In correlation analysis, a significant correlation can exist if the Pearson's correlation coefficient is not equal to zero and the significant value for the correlation coefficient is less than the pre-determined value 0.05.

**Table 24: Below shows the correlation matrix**

		ICQ	EBI	ARVFM	LGP
ICQ	Pearson Correlation	1	.404*	.851**	.422*
	Sig. (2-tailed)		.022	.000	.016
	N	113	113	113	113
EBI	Pearson Correlation	.404*	1	.567**	.271
	Sig. (2-tailed)	.022		.001	.133
	N	113	113	113	113
ARVFM	Pearson Correlation	.851**	.567**	1	.586**
	Sig. (2-tailed)	.000	.001		.000
	N	113	113	113	113
LGP	Pearson Correlation	.422*	.271	.586**	1
	Sig. (2-tailed)	.016	.133	.000	
	N	32	32	32	32

\*. Correlation is significant at the 0.05 level (2-tailed).

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

ICQ Internal controls Quality

EBI Effectiveness of the whole budget implementation and control process

ARVFM Accounting, reports and value for money audits

LGP Local government performance

According to the results in the table 24 above, a significant positive relationship exists between; internal control quality and performance; ( $r=0.422^{**}$ ,  $P=0.000 < 0.01$ ). The effective and strong internal controls constructs encourages good performance.

Results in table 24, indicate that a significant positive relationships exists between effectiveness of the whole budget implementation and control process and LG performance; ( $r=0.404^{**}$ ,  $P=0.000 < 0.01$ ). Therefore effective budget implementation yields good budget

outputs/outcomes. This is the same reason why budgets are prepared to ensure that the projected revenues are commensurate to the outcomes at the end of specified period of time.

Results from table 24 above, a significant positive relationship existed between quality of accounting system and value for money audits; ( $r=0.586^{**}$ ,  $P=0.000$ ,  $0.01$ ). The ultimate goal of value for money audit is to ensure that there is economy and efficiency on the utilisation of public resources, and when there is much of value for money audits then performance shall be automatic. Despite the fact that a significant positive correlation exists, it was discovered to be weak.

#### 4.7. Regression Results for Model

In addition to the correlations, multiple regression analysis was used to predict customer loyalty as indicated in the table below. Using regression method, a linear relationship marketing and customer loyalty was determined. The effects of the study variables on customer loyalty are shown as follows.

The research was also concerned with an estimation of a model that justifies a relationship between effective accountability and performance of the local government. To clearly understand the impact, it was necessary to analyze each component of model individually. In this subsection, numerical components of effective accountability were regressed against the LG performance construct. Subjective responses for each construct were transformed into numerical ratio variables capable of being regressed using an ordinary least squares regression model. Key independent variables included; internal controls, effectiveness of the whole budget implementation and control process, accounting, reports and value for money audits.

**Table25: Shows Regression Results**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.946123607	0.89513114	0.879241717	0.089472773

a Predictors: (Constant), ICQ, EBI,ARVFM

ANOVA(b)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.843155063	4	0.461183542	57.541282	0.001094005
	Residual	0.216600205	27	0.00808515		
	Total	2.059755268	31			

a Predictors: (Constant), ICQ, EBI,ARVFM

b Dependent Variable: LG Performance

Coefficients(a)						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	1.007343349	0.171360863		0.474164633	6.40E-01
	ICQ	0.057863265	0.106491698	0.377107932	2.53433594	0.018945037
	EBI	0.012110495	0.014619397	0.491827705	2.181913709	0.041101496
	ARVFM	0.022500495	0.00963397	0.615577054	3.031553709	0.023834496

a Dependent Variable: LG Performance

ICQ Internal controls Quality

EBI Effectiveness of the whole budget implementation and control process

ARVFM Accounting, reports and value for money audits

LGP Local government performance

Multiple regression analysis was used to determine whether numerical values of effective accountability simultaneously impact the LG performance. One dependent variable was used against 3 independent variables all measured on a ratio scale. This implied that a linear multiple regression technique was the most suitable in this scenario. Three key elements were considered in the interpretation of results from a linear multiple regression models. The elements considered were; the coefficient of multiple determination  $[R^2]$ , the standard error of estimate and the regression coefficients (Emory, 1985; Davis, 1996). These elements and the results of multiple regression analysis were presented and interpreted in Table above.

The Model summary table revealed that LG performance and all numerical accountability variables considered for this study were correlated;  $R = 0.946$ . A coefficient of determination indicates the proportion of variability of the dependent variable accounted for by the independent variables in the regression model. For this particular study,  $R^2 = 0.895$  indicating that 89.5% of the variations in LG performance can be explained by changes in accountability management variables. This also implies that the remaining 10.5% of the variations in LG performance are not explained by changes in accountability management variables.

Again, the Analysis of Variance (ANOVA) table indicates that the F- Value = 57.541 is significant; sig. value is equal to 0.001. Despite the fact that the F value is small, the significant component renders the overall regression model significant. That's to say, all the selected budget process management variables as a whole were contributing to the variations in LG performance. This further substantiates the relationship obtained in the model summary.

It was further necessary to estimate the contribution of each independent variable to LG performance in the study. Despite the fact that a small proportion of changes in LG performance were not explained by the regression model, it was interesting to note that there were other pertinent factors that affected the performance of the sector. It should however be mentioned that the relative importance of each independent variable was different. This was evaluated and interpreted by the standardized coefficients of correlation (beta).

#### **4.7.1 Internal controls and Independence of Internal Auditors**

LG performance was positively related to effectiveness of internal controls and Independence of Internal Auditors  $\beta = 0.377$  at a significance level of 0.018. Since the significance value is 0.018 which is less than 0.05. Therefore, we can conclude that the quality Internal controls and Independence of Internal Auditors is positively related to LG performance.

This finding is supported by Handa's popular theory of relationship between internal controls and Independence of Internal Auditors and government agency performance. He states that; "the better the quality of Internal controls and Independence of Internal Auditors, the less the risk of poor sector performance".

It should however be mentioned that Handa's popular theory of the purported link is based on mere assumptions that when a government entity prepares its budgets effectively, its performance would significantly improve. It doesn't explain that there are other factors that are likely to affect the performance of a particular government entity.

#### **4.7.2 Effectiveness of the whole budget implementation and control process.**

It was further revealed that effective budget implementation and control process is significantly positively related to LG performance;  $\beta = 0.491$ . Since the associated significance value = 0.041 which is less than 0.05, it implies that the perceived link between budget implementation and control process and LG performance is actually a significant one.

It's not a result of chance but rather an actual relationship. We therefore have enough statistical evidence to accept the second hypothesis that budget implementation and control process is positively associated with LG performance. This is not surprising as many budgeting books view an approval process as a critical one in the whole budgeting cycle. Indeed, a poor budget approval phase can greatly hinder adequate allocation of funds and thus causing a hindrance to effective sector performance.

#### **4.7.3 Quality accounting system, and value for money audits**

Further examination of results revealed that LG performance was significantly related to effectiveness of the whole accounting.

## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.1. Introduction**

The chapter provides an in depth discussion, study conclusions and recommendations of the study on the findings for each objective, the over all purpose of this study was to assess the effect of Public Accountability on the Performance of Local Government: a case study of Pallisa District. To ascertain this four objectives were handled and these were quality of internal controls and reduction in unaccounted for funds in PDLG, effective budget implementation and maximization of budget outputs, quality of accounting, reporting and value for money audit on efficiency and economy use of public resources. The following discussions, conclusions and recommendations are presented according to the study objectives.

#### **5.2. Discussion of Findings**

##### **5.2.1 Quality of internal controls and LG performance.**

The findings revealed a significant positive relationship between internal control quality and performance; ( $r=0.422^{**}$ ,  $P=0.000 <0.01$ ). The quality internal controls constructs that is, financial controls, budgetary controls, expenditure controls and revenue controls among others the study findings revealed that 68% agreed that public service regulations are adhered to, 54% agreed that cash controls are followed, 58% agreed that legal controls are duly followed and 38% agreed that stores controls are dully followed. Majority (50%) indicated that the above mentioned internal controls are used all the time.

The study also revealed that PDLG accounts department has strengthened its level of strictness on accountabilities. In fact, there are no advances made to officers before he/she accounts for previous funds released to him/her (56%) and adherence to the stipulated local financial accounting and regulations.

The study also revealed that there exhibited high level of staff independence within the IA department is sufficient evidence that all money disbursed must be fully accounted for. Professional staffs are very knowledgeable and always insist on performing their functions according to the law, regulations and policies. It is not surprising that the level of un-accounted

for funds is low as compared to other local governments that have weak internal audit departments. There was a general good performance of the quality of internal controls and Independence of Internal Auditors. Such good performance is linked to effective staff development programs, adequate supervision of IA staff, strict conformity to accounting regulations and guidelines. Again, penalising officers who fail to make good accountability reports, and enhanced independence of internal auditors is strengthening the quality of accountability. Given the fact that the cornerstones of professional finance and accounting are independence and integrity, there have been efforts geared towards such goals but such efforts are often frustrated by greed of public officials.

This blends with (Tumushabe et al, 2010) mention, such attributes are fundamental to proper functioning of a particular government agency. When any one of them is undermined by institutional failings, honesty, openness, accountability and even overall performance are at risk (Fozzard, 2007).

This also blends well with (Martiz, 2005). Who contends that Internal controls are methods put in place by an organisation to ensure the integrity of financial and accounting information, meet operational and profitability targets and transmit management policies throughout the organization Internal controls work best when they are applied to multiple divisions and deal with the interactions between the various business departments. No two systems of internal controls are identical, but many core philosophies regarding financial integrity and accounting practices have become standard management practices.

### **5.2.2 Effective Budget implementation and how it affects LG performance.**

Study findings also revealed that there was a significant positive relationships between effectiveness of the whole budget implementation and control process and LG performance; ( $r=0.404^{**}$ ,  $P=0.000<0.01$ ). The findings revealed more under this objective that the budget implementation phase has been effectively carried out. A budget implementation involves a number of stakeholders and it is carried out in a phased manner. It is hoped that such phases can reduce the likelihood of funds loss.

The study also revealed that to some extent, the effective budget implementation is in line with budget performance targets. This implies that at all stages, there are chances of detecting illegitimate release and use of funds for un-intended activities.

The study also revealed that not all stakeholders participate in the budget implementation phase. To some extent, this is derailing efforts to maximise budget outputs.

The study revealed that 30% strongly agreed that the Local Government has some budget slacks where as 33% disagreed. It should be mentioned that a 30% agreement is an indication that there is indeed some budget slacks, diversion and misappropriation. Though 33% indicated that there were no budget slacks but the 30% who agreed is significant number that gives a conclusion that there are budget slacks which calls for intensified managerial attention in that respect.

Again, an overall LG performance has been strongly linked to effectiveness of the whole budget implementation and control process. Such performance in those attributes is premised on new organizational transformations in the LGs which are trying to implement independence, staff commitment within the sector.

These findings were consistent with the study conducted by Erasmus and Visser, (2010), who contended that poor budgetary implementation process stifles government entity projects and problems in budget implementation systems may reflect lack of incentives for good budget implementation, rather than lack of capacity.

The adequacy in budget implementation revealed good use of IFMS, greater complexity with unified budgets covering all level levels of the sector and excellent managerial knowhow of expected results of this expenditure and a robust and excellent open dialogue within all sector departments (Agusto, 2005). She further mentions that effective budget implementation has been linked to the timely supply of financial departmental data and managers and implementers of such budgets are now made accountable.

### **5.2.3 Quality of Accounting system and Value for money audit and it's influences on LG performance.**

The findings indicated that there was a significant positive relationship between quality of accounting system, value for money audits and LG performance; ( $r=0.586^{**}$ ,  $P=0.000$ ,  $0.01$ ).It was revealed that PDLG has some 'good accounting'. 52% agreement against 48% disagreement

indicates a proper accounting within the Local Government. This good accounting has been enhanced by the introduction of the electronic integrated financial management system (IFMS) The study also revealed that there is high respect by accounts staff for the financial and accounting regulation in PDLG.

The study revealed that there was no value for money audits conducted in the district represented by 42% and 33% respectively who are in disagreement, though 13% and 12% agree that value for money audits are conducted in the district. This finding reveals that, though there is a positive relationship between Value for money audit with LG performance, the facts are that it's not conducted and this would reduce on the chances of economy on use of public funds.

The finding wakens up PDLG management to seriously put attention on value for money audit because (Sik-wahfong, 1999) says that value for money audits are a form of operational auditing where management is requiring the internal auditor to extend his/her traditional function to examine the efficiency which relates output to the inputs used and effectiveness which relates output to the inputs used and effectiveness which relates output to the target of the organization.

#### **5.2.4 The relationship between good public accountability and LG performance.**

The study revealed in the table 24 above, a significant positive relationship exists between; internal control quality and performance; ( $r=0.422^{**}$ ,  $P=0.000 < 0.01$ ) .The effective and strong internal controls construct implies good public accountability and without quality internal controls it's impossible to have good performance.

Study findings also revealed in table 24, that a significant positive relationships exists between effectiveness of the whole budget implementation and control process and LG performance; ( $r=0.404^{**}$ ,  $P=0.000 < 0.01$ ). Therefore effective budget implementation yields good budget outputs/outcomes. The effective budget implementation implies good public accountability and hence good performance shall be realised and vice versa.

Results from table 24 above, a significant positive relationship existed between quality of accounting system and value for money audits; ( $r=0.586^{**}$ ,  $P=0.000, 0.01$ ). The two public accountability constructs of quality accounting system and value for money audit are positively

related with LG performance and therefore, there was a significant relationship between the independent and dependent variables.

### **5.3. CONCLUSION**

The relevance of public sector accountability cannot be over-emphasized since it constitutes the organizational climate for the internal activities of a company. Public sector accountability brings new outlook and enhances a government agency performance. The study sought to establish a link between public accountability and Local Government performance using the Pallisa LG as a case study. Specifically, the objectives of the study were to: - evaluate the quality of internal controls and independence of internal auditors, assess the effectiveness of the whole budget implementation and control process, assess the quality of accounting, reporting and value for money audits and establish the impact of effective accountability on LG performance.

From the discussion in the previous subsection, we can therefore conclude that there exists a strong positive relationship between the quality of internal controls, effectiveness of the whole budget implementation, the quality of accounting, reporting and value for money audits and LG performance.

#### **5.3.1 Internal controls quality and LG performance.**

Management respects financial, budgetary, expenditure, revenue and purchase controls among other controls in place. Complete adherence to stipulated regulations and rules, inability to make advances to officers before previous accountabilities and stringent penalties for all those failing to make adequate accountabilities are all improving the quality of internal controls and accountability in general. Although not mandatory, best practices do ensure transparency in agency operations, and therefore improve on accountability and ultimately performance (Bloj, 2009). The regulatory environment in Uganda also plays a crucial role in ensuring that those to whom agency leadership is entrusted are held accountable for their actions. Internal controls are a key aspect of the entire accountability process and such, management should establish a strong internal control framework

#### **5.3.2. Effectiveness of the budget implementation and LG performance.**

Respondents unanimously agreed that the entire budget implementation phase has enhanced the budget outputs, stakeholders seldom participate in the budget implementation phase, and the appropriation of budgets is done effectively. Again, staffs of the LG were also spending within approved budgets and there were some slacks noted in the budget. Issues like diversion and misappropriation.

### **5.3.3. Quality accounting system, value for money audits and LG performance.**

Despite the varied discrepancies in time to release government funds by Ministry of Finance PDLG has good accounting system characterised by strong IFMS system. The district is still grappling with the challenge of lack of value for money audits which has continued to compromise on the quality of service delivery, efficiency and economy on utilization of public resources.

### **5.3.4. The relationship between good Public accountability and LG performance.**

The study revealed that there is a strong relationship between Public accountability variables under study quality internal controls, effective budget implementation, and quality of accounting, reporting and value for money audits and PDLG performance. In a nut shell an increase on the sub variable of public accountability leads to an increase of performance and vice versa.

## **5.4. RECOMMENDATIONS**

### **5.4.1 Quality internal controls**

- Quality of internal controls should be strengthened through the introduction of ICTs, skills enhancement for local government staff and increasing public vigilance on the affairs of the local government
- There internal audit department should be strengthened through enhancement of their facilitation to minimise the few cases of being compromised by some senior officers aimed at covering up the audit queries.

### **5.4.2 Effectiveness of Budget Implementation**

- The budget implementation process should be very inclusive of all the stakeholders to increase the benefits of the budget outputs.

- There should be a strong budget desk at PDLG to minimise the few cases of budgetary slacks like diversion through intensive monitoring of budget implementation.

#### **5.4.3. Quality of accounting system, and value for money audits**

- Accounting systems like IFMS should also be extended to the lower local government (sub counties) if the district is to have a sustainable accounting system.
- The District authority should devise mechanisms of executing value for money audits if they are to benefit in the efficient and economic utilization of public resources for quick and accelerated service delivery.

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**Section C. Independence of Internal auditors**

Please indicate your level of agreement/ disagreement in relation to the independence of internal auditors

Independence of internal auditors for proper accountability	Strongly Disagree (1)	Disagree (2)	Agree (3)	Strongly agree (4)
Some officials in this ministry do obstruct or interfere with PDLG audit activities.	4	3	2	1
Many times, our auditors are approached with favours	4	3	2	1
The reporting relationships within the LG are very appropriate	4	3	2	1
Our internal auditors are very knowledgeable and highly skilled professionals	4	3	2	1
Our internal auditors often receive specialised trainings on how to enhance independence	4	3	2	1
The Internal Auditors department is fully facilitated	4	3	2	1
Internal Auditors reports are made on a timely basis	4	3	2	1
Internal Auditors continuously monitors to see that issues in reports are quickly implemented	4	3	2	1
Internal Auditors department is effectively supervised	4	3	2	1

**Section D: Budget Implementation and control process**

Please indicate your level of agreement/ disagreement in relation to the effectiveness of the whole budget implementation and control process

Budget implementation and control process	Strongly Disagree (1)	Disagree (2)	Agree (3)	Strongly agree (4)
The budget implementation phase is conducted effectively	4	3	2	1
The phase has helped reduce amounts on the wage bill	4	3	2	1
All stakeholders do participate in the budget implementation phase	4	3	2	1
Appropriation of budgets done in an effective manner?	4	3	2	1
Pallisa District Local Government Staff do spend in respect of approved budgets	4	3	2	1
Is Pallisa District Local Government involved in	4	3	2	1

**Section F: Local government performance**

Please indicate your level of agreement/ disagreement in relation to the performance of the Local government.

Local government performance	Strongly Disagree (1)	Disagree (2)	Agree (3)	Strongly agree (4)
There is overall efficiency at the Local Government.	4	3	2	1
There has been a reduction in the wage bill/ ghost workers.	4	3	2	1
There is a reduction in unaccounted for funds.	4	3	2	1
There is improvement of shoddy works done by the Local Government.	4	3	2	1
There is reduction in the number of qualified reports.	4	3	2	1
The current accounting controls now are very strong	4	3	2	1
There are very strong penalties for any employee who engages in any form of fraud.	4	3	2	1
All queries raised by audit staff are attended to immediately.	4	3	2	1
Operational costs have drastically reduced.	4	3	2	1

End