MAKERERE UNIVERSITY

INTERNAL AUDIT FUNCTION AND PERFORMANCE OF LOCAL
GOVERNMENTS OF UGANDA

A CASE OF NAKASEKE DISTRICT LOCAL GOVERNMENT

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DECLARATION

I Alinaitwe Jennifer hereby declare that this proposal is as a result of my original work. It has never been presented in any University or any other institution of higher learning. Where work of others has been used due acknowledgement has been made.

Signed..........................................

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07 / U/ 6497 / EXT

Date.............................................
APPROVAL

This is to certify that Ms Alinaitwe Jennifer carried out this research under my supervision

Signed.................................................. Date..........................................

Ms VICTORIA. B. NAKKU

SUPERVISOR
DEDICATION

I dedicate this work to my loving parents Mr and Mrs Kaboogoza Steven who worked tirelessly to see my education through.

Likewise I dedicate this work to my entire family especially my loving sisters; Jolly, Sarah, Jackie and Joan. Aunt Sarah, Uncle Robert and my grandparents Mr and Mrs Byaboona Emmanuel for their prayers, encouragement and support during my course of education may God bless you.
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I thank the almighty God for bringing me this far in life.

I am very grateful to my supervisor Ms Victoria B Nakku who provided me with guidance which enabled me to complete this study.

In a special way, I thank my mother who tirelessly worked hard to provide me with all the financial support without which this study would not have been possible. I am further indebted to the management and political leaders of Nakaseke District Local Government who provided me with information that enabled me to complete this study.

I am also grateful to my lectures and fellow colleagues of BCOM 2007/2011 especially Paul, Aggrey and Betty for their academic support and encouragement. I also extend thanks to my relatives especially Ms N. Rosette and K. Winy including all those that I have not mentioned in this acknowledgement that in any way provided me with support that enable me to complete this study. I will remember you for all that you have done for me.

Thank you very much.
ABSTRACT

This research was done with the purpose of evaluating the internal audit function of Nakaseke Local Government and the performance of Local Governments. The definition of both the independent variable and the dependent variable were discussed together with the problems hindering the performance of internal audit function and the performance of local governments. Conceptual frame work that reflected the variables whose relationships were studied was developed.

The following were the specific objectives. To examine the effectiveness of the internal Audit function in Uganda’s District Local Government. To identify the controls that have been put in place to help improve performance of Local Governments. And to analyse the relationship between internal audit and the performance of Local Governments of Uganda.

A combination of cross-sectional and descriptive research design was used applying both quantitative and qualitative techniques. The study population was 45 being a total population of Nakaseke District Local Government workers. Out of these a sample of 40 individuals was selected by employing simple random and purposive sampling techniques.

The findings revealed that there existed positive relationship between the variables of study as conceptualised and that local Government performance had generally been fairly satisfactory and that internal Audit function in Local governments was also fairly performing. The fair performance being attributed to lack of complete independence of the internal auditors, inappropriate internal controls, and managements’ reluctance to attend to the recommendations of the internal auditor produced.

In a bid to improve performance, the district management should ensure that politicians have limited influence in the works of the internal auditor and that internal controls are always reviewed and evaluated so that they are limited to manipulations and also put in place or strengthen disciplinary measures regarding manipulation or override of these controls.
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LIST OF ABBREVIATIONS

LGA: Local Government Act
IAPS: International Auditing Practice Statements
IAS: International Accounting Standards
PAC Public Accounts Committee
LGFAR: Local Government Finance and Accounting Regulations
COSO: Committee of sponsoring organisations of Treadway commissions
SPSS: Statistical Package of Social sciences
SPPIA: Standards for Professional Practice of Internal Auditors
SAS: Statements on Auditing Standards
COBIT: Control Objectives for Information Technology
SAC: System Assurance and Control
TQM: Total Quality Management
SDLC: System Development Life Cycle
AGM: Annual General Meeting
SAI: Supreme Audit Institutions
SFG: School Facilitation Grant
NLG: Nakaseke Local Government
LCV: Local Government Five
CHAPTER ONE

1.0 Introduction

1.1 Background
Internal audit is an independent appraisal function with the organisation set up for the view of systems of controls and quality performance (Khalisa 2000). The new definition of internal audit defines the function as an independent objective assurance and consulting activity designed to add value and approve an organisation’s operations (Albert et al 2002). Section 90 of the Local Government Act 1997 provides for the establishment of the internal audit departments in the local governments with a view of assisting the Local Government provide public goods and services in an effective, efficient and economic manner. As a service department to the organisation, the internal audit function objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to proper economic use of resources. The internal audit is autonomous and reports directly to the district council. According to section 91 of the Local Government Act 1997, the department is responsible for verification of accounting records and any other roles as stated in section 91 of the Local Government Act (LGA) 1997 for all district departments.

The Local Government Act amended (2002) section 91 provides that every district, Municipal council or town shall provide for an internal department in order to foster financial management. Its head is charged with preparing quarterly reports and submit them to the council giving a copy to the Local Government Accounts Committee. As a means to enhance good performance the auditors should do their work professional scepticism and due care.

However in Local Government s the audit department is faced with problems of inadequate staff that are allocated by the chief finance officer, inadequate facilities to monitor all the roles stated by the Local Government Act, poor segregation of duties and lack of independence of the internal auditors. Inadequate records and equipment, threats of being merged with accounts department, poor perception of people of the roles of Auditors, and interference by the politicians who engage in acts not stipulated in the Local Government Act amended 2000 and in the Local Government Finance and Accounting Regulation Act 1998 (LGFAR), hindering independence of the Audit department for example councillors awarding themselves tenders.
Performance in business refers to the ability to meet the standards, increased market share, improved facilities, ensuring returns on profitability, and total waste reduction and once this is achieved, a business is said to be performing effectively (Bulunywa 1998). Performance of an organisation can be measured in terms of financial aspects, profitability risk levels, proper book keeping good evaluation and time management.

The International Auditing Practice Statement (IAPS) 2003, states that the need for an internal audit functions will usually be governed by size, risk, and complexity of a business. The board’s role in relation to internal audit is to understand and take committee. According to Ellis internal audit is not special thus the auditors must be able to justify internal auditor’s existence just like any organisation to achieve its objectives. However the achievement of these objectives is hindered by risk and it is these risks that audit is all about.

1.2 Problem statement
Despite the structure of the finance department that was put in place by Nakaseke Local Government to verify, evaluate and examine book keeping records in accordance with the Local Government Finance and Accounting Regulation 1998, and the audit manual 2000, preventing and detecting fraud, misappropriation of such funds is used inefficiently and ineffectively.

Since 2006, several employees in the accounts department have interdicted due to misappropriation of funds meant for Local Government development projects and salaries for other employees as reported by the Public Accounts Committee (PAC) report 2008 and the auditor general report for the year ending 30th June 2008. The researcher therefore sought whether internal Audit functions, have an effect on the performance of Local Government.

1.3 Purpose of the study
The purpose of the study was to establish the relationship between internal Audit functions and the performance of Local Governments in order to establish if its functions are some of the reasons for the district’s poor performance.

1.4 Research objectives
i. To examine the effectiveness of the internal audit functions in Nakaseke Local Government
ii. To identify any controls that help improve the performance of Local Government
iii. To find the relationship between the internal audit and the performance of Nakaseke Local Government.

1.5 Research questions
i. How effective is the internal audit function in Nakaseke Local Government?
ii. What controls have been put in place to improve performance?
iii. What is the relationship between internal audit functions and performance of Local Governments

1.6 Conceptual framework

Figure 1: Conceptual framework

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLE</th>
<th>DEPENDENT VARIABLE</th>
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<tbody>
<tr>
<td>Internal Audit Function</td>
<td>Performance of Local Government</td>
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Internal control systems |
Control environment
Risk assessment
Information and Communication
Control activities
Monitoring

Moderating variable
Independence

Construction of schools
Health care
Construction of roads
Works and water

Source: Developed by the researcher from several literature reviews.
This conceptual framework has been developed from the existing concepts on internal audit as reflected in the new definition of internal auditing by the Institute of Internal Auditors, (1999). The main independent variable is internal audit function while the dependent variable is performance of local governments. Internal audit is studied in two dimensions; internal controls systems and independence. The dependent variable is analysed in terms of provision.
of public services by the local government; construction of roads, provision of health services, and provision of works and water.

1.7.0 Scope of the study

1.7.1 Subject scope
The study focused on the impact of internal audit functions on the performance of Local Government. It covers the roles and adherence of the Audit staff, problems and weakness of internal department, independence in proper verification of books of accounts by the internal Audit in relation to performance of Local Government.

1.7.2 Geographical scope
The study focused on Nakaseke Local Government

1.7.3 Time scope
The study was carried out basing on the Local Government performance from 2006 to 2009

1.8 Significance of the study

i. Increase the awareness of the role of internal Audit as a foundation for proper accounting for resources as a basis of good Local Government performance.

ii. Findings of the study will reveal the position of the internal audit function in the organisation as to whether it adds value or not to the performance of the organisation

iii. To bring to the attention of managers and staff the wrongs of fraud and theft and also for the public to appreciate the managers jobs.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This concerns review of the available literature by scholars and academicians in the line with the conceptual framework

2.1 Internal Audit
Foulks (2004) defines internal audit as an appraisal activity established by management for the review of accounting and internal control systems as a service to the entity. Section 90 of the Local Government Act 1997, stipulates that every district, city council or town council shall provide for an internal Audit. In addition, section 172 of the Local Government Financial and Accounting Regulations, 1998, stipulates that internal Audit shall report on the system and operations of the Local Governments under their jurisdiction whether efficient, effective, economical and free from fraud and other malpractices and give recommendation for their elimination. Golooba, (1999), asserts that there must be independent and effective supervisory mechanisms capable of preventing or combating malpractice regardless of a kind leadership in place In order to help minimize incidences of malfeasance, incompetence, or sheer dereliction of duty.

An internal Audit is a process (carried out by suitably qualified Auditors) whereby the accounts of business entities including limited companies, charities trusts, professional firms, are subjected scripting in such detail as will enable the Auditors to form an opinion as to their accuracy, truth and fairness. This opinion is then embedded in an “Audit report” addressed to interested parties who commission the Audit or to whom the Auditors are responsible under the statute (Emile Woolf)

Internal Audit is an independent appraisal function established by management of an organization for the review of internal control system as service to the organization to examine, evaluate and report on the accounting and other controls on operations. It exists either voluntarily or in certain situations because of the statutory requirements (Manasseh, 1991)

According to Attwood (1986) internal audit is defined as an element of internal control system set up by management as a method of imposing controls.


2.2 Definition of internal control systems
Foulks, (2004), defines internal control system as comprising the control environment and control procedures adopted by directors and management of an organization in achieving its objectives by ensuring practical, orderly and efficient conduct of an organization. This may include adherence to policies, safe guarding assets, prevention and detection of fraud accuracy and competences of accounting records and timely preparation of financial reports.

According to Whittington, (1999), an internal control system consists of policies and procedures established to provide reasonable assurance that the organization’s related objectives are achieves. The concept of reasonable assurance recognizes that no structure is perfect and that the cost of the entity’s internal control should not exceed the benefits to be derived.

Internal control may be defined as the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its records. It will be observed that the concept of internal control goes beyond financial and accountancy matters and the custody of company assets to include controls designed to improve operational efficiency and ensure adherence to company policies (Coopers and Lybrand, Manual on Auditing 4th Edition)

2.3 Objectives of internal control system
Consistent with the firm’s objectives of maintaining optimum cash balance in order to meet the firm’s obligations and when they fall due, and aware of the different risks associated with the various sources and uses of funds, it is important to streamline the policies and procedures for accessing, using, recording and custody of cash. (Pandey, 1995)

According to Swamy, (1994), internal controls in accounting system serves the function of ensuring that all transactions carried out are sanctioned that authorized by management. This is important because all activities of the organization are performed in line with the laid down policies.

All transactions should be accounted for in the relevant books of accounts regularly, correctly and systematically (Millichamp, 1996)

This should be according to the application reporting framework, like the relevant legislation and applicable Accounting Standards. (Foulks, 2005), this should lead to proper accountability of all assets and liabilities of the firm.
2.4.0 Internal control systems
According to the Standards for Professional Practice of Internal Auditors (SPPIA 2002), internal control comprises the plan and methods of the organization adopted to safeguard assets, comply with the laws and regulations, ensure the completeness and correctness of accounting data, promote efficiency and encourage adherence to management policies. (Katz 2004), argues that to ensure the goals and objectives of a financial institution are properly met, that the company will achieve long-term profitability targets, and maintain reliable financial and managerial reporting, a system of strong internal controls must be in place.
COSO (1992), states that company management should continuously and periodically evaluate the effectiveness of its internal controls (Roth 2004) Confirms further that frauds that caused the collapse of Enron and world could not have arisen from the non compliance with low-level accounting procedures. The root cause is always a breakdown in the control environment usually the ethical climate and behavior of executives.
Consistent with the COSO framework (1992), Lannoye, 1999, identified five inter-related components of internal control i.e. control environment, risk assessment, information and communication, control activities and monitoring derived from methods used by agencies to conduct their business Crawford (2000) agree with (Lannoye 1999) and added that the five elements replaced the historical one element. Control activities and helped to redefine internal control as anything an organization does to ensure the achievement of its objectives.

2.4.1 Control environment
According to Willis and Lightle, (2000) control environment is the tone set by top management and the overall attitude, awareness and actions of the board of directors, management, and owners. And others concern the importance of internal control in the company’s police, procedures methods, and organizational structure. (COSO, 1992) makes it clear that the control environment is the most important component of internal control konrath (2003) identifies attributes of control environment as integrity and ethics of management, competence of employees of employees, operating style of management, structure and Audit committee and evaluation of the environment.
According to Hubbard (2003) managers and internal auditors need to understand the status of the factors at the base (control environment), not to change them, but to consider their impact on the other control components. Chioccola and Muhlstein, (2005) adds that the nature of many of the soft control is such that they can only be assessed by the employees. Therefore to
understand the control environment, auditors interview employees and use self –assessment workshops and questionnaires.

2.4.2 Risk Assessment
Risk assessment as stated by Lannoye (1999) is the entity’s identification and analysis of relevant risks (both internal and external) to the achievement of its objectives, forming a basis for determining how the risk should be managed. This assertion is in consistence with observations of (Keane 2000). According to chioccola and Muhlstein (2005) the need for organizations to move to a risk based audit approach has called for risk assessment decisions to help relate the cost/benefit analysis of the control to the known risk. By understanding the nature of the business, information system auditors can identify and categorize the types of risks that will better determine the risk model or approach used in conducting the review. Bortz (2005) asserts that risk assessment is a process of estimating a riskiness coefficient or score to be associated with each auditable unit within the organization. Thus risk assessment is typically undertaken to focus attention on significant audit areas, to allocate scarce audit resource to the most important audit areas, and to help with key audit prioritizing decision such as audit frequency, intensity and timing. (Warren, 2003) argues that changes in economic industry and regulatory environments change entities activities and managing such changes acquires a constant assessment of risk and the impact on internal controls. Thus mechanisms are needed to identify and react to changing conditions.

2.4.3 Control activities
According to the Statement on Auditing Standards (SAS) 2002 control activities are the policies and procedures that help ensure that management’s directives are carried out. Crowford (2000) states that unit recently, this has been the historical component of internal control Jago,(2003) asserts that control activities can be categorized as authorization segregation of duties, record keeping, safeguarding and reconciliations and these controls depend greatly on the activity under consideration. Hubbard (2003) argues that a great deal of activity specific knowledge is required to determine what the controls should be. COSO’s control framework presents a risk control matrix that analyses activity level objectives risks and control. COSO lists some complete frameworks or models, that can be used to model control activities such as control objectives for information technology (COBIT), System Assurance and Control (SAC), Total Quality Management (TQM) and System Development Cycle (SDLC) depending on the activities.
involved. Warren (2003) argues that control activities usually involve two elements; a policy establishing what should be done and procedures to affect the policy.

2.4.4 Information and communication
According to Hubbard, (2003) information refers to employees getting the information they need to do their jobs, while communication relates to the free flow of information up down, across, inside and outside the organization. Consistent with Hubbard, (Keane 2000) states that information and communication system support the identification, capture, and exchange of information in a form and time frame that enable management and other appropriate personnel to carry out their responsibilities.
Warren (2003) argues that similar to the control environment auditors cannot evaluate information and communication without consulting the employees. Thus a self-assessment process is often used together audit evidence. According to Kannan, (2004), the responsibility of ensuring appropriate information system covering all activities and the senior management in regard.

2.4.5 Monitoring
Monitoring is a process that assesses the quality of internal control performance over time (Willis and Lightle 2000. Lannoye 1999), says periodic evaluations of internal control made and personnel, in carrying out their regular duties, obtain evidence as to whether the system of internal control continues to function. Chioccola and Muhlstein, (2005) argues that organizational structure should include an independent monitoring function of derivatives, providing senior management with an understanding of the risks of derivative activities, validating result and assessing compliance with established policies
According to Thornton, (2005) the process of monitoring can be accomplished through ongoing monitoring activities, separate evaluation or a combination of the two. Ongoing monitoring occurs in the course of operations and includes regular management and supervisory activities, and other actions personal take in performing their duties. In line with Thornton, (Warren, 2003), asserts that the scope and frequency of separate evaluation will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Thus internal audit should promptly identify internal control deficiencies and report to top management and the board.
2.5 The independence of internal audit department

Independence is mandatory in auditing and is particularly important that the internal auditor has freedom to select areas of audit he/she wishes to investigate and to report there on to all levels of management in the organization. Independence is the fundamental importance in the effective in the internal Audit. It enables the internal Audit to freely highlight the areas where fraud could or has occurred as a result of the weak system of control in the organization for the internal audit to operate effectively, the following principal elements of independence should be present.

The internal Audit should be independent of all financial system operating within the organization.

The internal audit should at all times have direct access to departmental heads, the accounting officer and the organizations records and information.

Practice professional due care and skill as prescribed by the institute. The public accounts committee guideline, October 1988, (Woolf 1994) also emphasized the need for the internal audit to be independent.

The work should be planned and carried out according to the professional roles, (Ndahura 2001) says that the chief executive should aim at preserving the independent status of the internal audit function and ensure that it has access to all financial and administration records of the organization to enable it to ensure management of continuous existence of financial security, control and transparency.

Independence of an auditor is entrained in both the legislation and the code of ethics to be observed by practicing auditors. The companies act chapter 85, section 159-162 outlines the procedures for the appointment, remuneration and removal of an auditor. The auditor is appoint by shareholders and can only be removed by the shareholders during the Annual General Meeting (AGM) but not the management of the company. Such provisions in the Act are made to promote objective reporting by the Auditor, it is important that the audit is independent of management.

According to Ishungisa (2002), internal Auditors should be independent of activities they audit. They are independent when they can carry their work freely and objectively. Independence permits internal Auditors to render the impartial and unbiased judgment essential to the proper conduct of audit. They should be responsible to an individual in the organization with sufficient authority to promote independence and to ensure broad audit coverage adequate consideration of audit reports and appropriate action on audit recommendations. He further argue that internal auditors are not so independent they are
employed and responsible to management and politicians and may be punished through non proportion, no career prospects and other such punishments. Due to such fear they usually get comprised. Ursula, 2002 argues that there are significant political obstacles to devolve decision making and enhancing policy responsiveness at the local level.

According to Eonu (2001), the role of audit in the management of finance is a critical one. It is for this reason that most countries including Uganda have supreme audit institutions to ensure that the finances of government institutions are audited as discussed by Washo Supreme Audit Institutions in Uganda (SAI). As derived from this statement, she continues to say that to be effective in carrying out this enormous responsibility, the audit institution should be independent of the client.

Eonu (2001) quotes Maugu (1984) who states that the internal audit department has to be independent in approach, opinion and appearance. It has to be managed by staff that should strictly adhere to professional ethics laid down by recognized professional accounting bodies.

2.6 Performance of Local Governments

Depending on the type of organization, performance may be treated as an end result of an activity or a process. Organization performance addresses what type of human capital is required to achieve Local Government’s goals through to structure the local government.

Cain (2004) stated that performance measurement is the mechanism by which firms inform themselves of their true performance and located unnecessary costs through the supply chain. These can then be converted into substantially higher profits in carefully targeted programs.

According to Symcon,(2000), measurement of performance is an integral part of evaluation and control. Past performance can be benchmark for continued achievement or the catalyst for change. Without objectives performance measures, it is extremely difficult to make successful operational and strategic decisions. In contrast with symcom and marchant, (De marco and Lister 2000) argues that measuring and managing performance in organizations is a potentially dangerous business that when you measure any indicator of performance, you incur a risk of worsening that performance.

Stein, (1986), asserts that an audit is a professional service to a client. An auditor may become liable for damages for negligence to the client or to a third party that relies on the audited accounts. According to the recurrent and expenditure budget for the financial year 2007/2008, Nakeseke district budgeted to offer a number of services were provision of health care, education, construction of health facilities, maintenance of feeder roads, construction of schools and community based services.
The internal Auditor’s report on Nakaseka Local Government on school facilitation grant (SFG) of 21\textsuperscript{st} June 2006 revealed that full payment was made to the construct of feeder roads within the locality; however the contractor failed to construct all the roads as it had been planned.

2.7 Internal audit in relation to service delivery
Internal Audit as part of the organization corporate plan and is expressive of its direction and how the internal set up is anticipative of the future. Internal Audit and activity programs go hand in hand (Thompson and struck land, 1987)

According to the report by the inspector general of government, 2002 the success of decentralization powers, functions, and services is subject to local revenue potential of the Local Governments and their performance. However, available data in many local governments indicate that local revenues perform poorly against the annual projections or budget due to poor auditing carried out. This is evidenced by accumulation of salary arrears, failure to account for donor funds, failure to fund development projects from local revenues and poor service delivery.

Ishungisa argues that many internal audit departments do pre- audit as part of their audit duties especially in public corporations. This is contrary to internal auditing which is the review of operations. Thus internal auditors do not get time to receive all operations since Audit staffs are normally few in number. This cause bottlenecks and slows down decision making. Local governments must meet minimal standards before they can receive development funds .These include ensuring sufficient financial accounting practices that working communities are in place and capable of steering investments through the design, appraisal and implementation process (Ursala G 2002) . Additionally, Local Governments reports on their performance submit their accounts and must ensure periodic monitory of investments in order to maintain quarterly payments (Kullenberg and Porter, 2001).

In order for the stake holders to make fruitful decision they need a report on their activities from a body, (Folscher 1999), argues that only when civil society is armed with such information can there be informed public debate on allocation of limited resources
2.8 Internal audit and performance
Mc Namee and selim (2000) stated that managers are operating in an increasingly complex of corporate governance. The emergence of risk management as a key organizational process gives the internal auditing profession a unique opportunity to shift its focus from control of functional area to risk. The new paradigm recognizes that risk is the driver of organizational activity and corporate governance is the organization’s strategic responses to risk.
According to Hespenheide (2003), demonstrating on understanding of the importance of strong corporate governance is a great opportunity for a company to win in the market place to owners, that the company is managing their risks and thus a sound investment. (Roth 2004) observed that good internal controls provide reliable financial reporting for management decisions and the accomplishment of goals and objectives, poor or excessive internal controls reduce productivity increase the complexity of processing transaction, increase in the time required to process transactions and add no value to the activity.
Humprey (2006) asserts that in the process and audit interviews, interactions with internal auditors, and review of audit reports, employees get a greater understanding of the functions they perform and why the functions are important. By understanding each task’s significance, employee can have beyond perfunctory activity to performance excellence. In line with Humprey 2006, Reanger (2006) says, in addition to identifying weak or overlooked controls, internal audit lead to process improvement discoveries or efficiency break through and that such exchanges with internal auditors can provide employees with new perspectives on their positions, triggering ideas for process improvements or new business possibilities.
Gramling (2004) argues that internal audit’s value has been easy to demonstrate over the past few years as many departments played a significant role in helping their organizations meet increased compliance requirement. Accordingly, Maletta (2004) adds that audit committees and management teams are now looking for improvement opportunities within the audit department, and internal audit leaders are searching for new ways to manage ongoing performance. This can be achieved by designing an effective performance measurement framework, implementing quality assurance programs and embedding improvement initiative in department workflow.
2.9 About the case study

A district is made up of several counties and any municipalities in that area. A district is led by an elected local council V (LCV) chairman and his executive. There is also an elected LCV council, with representatives from the sub-counties and technical staff in the district. The council debates budgets, decisions and bylaws. On the technical side, the district is led by a chief administrative officer, appointed by central government. The district also has heads of various departments such as education, health, and environment and planning, Works and Water, which are responsible for relevant matters in the whole of the district. So, the district education officer of Nakaseke is responsible for education matters in the whole of Nakaseke, which includes Semuto.
CHAPTER THREE
Methodology

3.1 Introduction
This chapter covered the method that was used in the study. It covered six sections which included; research design, survey population, sampling size, data collection, methods and instruments, data process and analysis.

3.2 Research design
The study used both descriptive and quantitative research designs. Descriptive method was used to describe the characteristics of the research variables. Quantitative method was used to collect data from a given number of respondents. To a lesser extent qualitative method was also used in order to get opinions from different respondents. The study was also cross-sectional in nature because the researcher gathered data once over a period of days in order to answer the research questions.

3.3 Study Population
The survey population included; chief auditors, members from accounting department, finance department, internal Audit department, and a few members from other departments within the organisation totalling to 45 people.

3.4 Sampling techniques and procedures
Purposive and simple random sampling methods were used during the study. Heads of departments were used purposely selected because of their knowledge or information regarding the area of the study. A simple random sampling technique was used to select the members from other departments so that they also provide specific views on the internal audit function and performance of Local Governments.

3.5 Sample size
A sample of 40 respondents was considered out 45 studies.

3.6 Data collection, Instruments and Data source
Data was collected from both primary and secondary sources.

3.6.1 Source of data
The main source of primary data was obtained through self- administered questionnaire, interviews and observations.
Secondary data was obtained from already existing literature that is, from textbooks, journals, brochures, newspaper, other students research work, internet and organisation’s annual reports.

3.6.2 Instruments
Questionnaires and interviews were designed for the staff and closed ended questions were used. This enabled respondents to answer the questions with a free mind.

3.7 Data processing and Analysis
Data was scrutinized, edited manually by the researcher to check for accuracy and completeness.

3.7.1 Data Analysis
Data was presented and analyzed using tables, percentages, frequencies and by the help of SPSS. This helped the researcher to find the relationship between the variables.

3.8 Limitations of the study
While carrying out the study the researcher experienced the following problems.

1. The researcher did not have enough funds to carry out a very comprehensive study. This however was overcome through the generous hand outs of relatives and friends
2. Some people were not willing to respond
3. Time to do research was also limited for a comprehensive study to be carried out.
CHAPTER FOUR
PRESENTATIONS AND DISCUSSION OF FINDINGS

4.0 Introduction
This chapter contains the presentation, interpretation and discussion of the findings to provide answers to the research problem. The first gives the back ground of the respondents and then presents the findings. Frequency tables and percentages, by the help of SPSS were used to analyze data, pie charts and bar graphs were also used to make presentation of data upon which analytical representation is made. The findings relate to the internal audit function and the performance of Local governments a case of Nakaseke District Local Government.

4.1.1 Findings on the gender of respondents

Table 1: Showing the Gender of respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>25</td>
<td>62.5</td>
<td>62.5</td>
<td>62.5</td>
</tr>
<tr>
<td>Female</td>
<td>15</td>
<td>37.5</td>
<td>37.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

From the findings the number of male staff (62.5%) was more than that of female (37.5%) meaning that the company was gender sensitive.

4.1.2 Findings on the age bracket of respondents

Table 2 : Age bracket of the respondent

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-27 years</td>
<td>5</td>
<td>12.5</td>
<td>12.5</td>
<td>12.5</td>
</tr>
<tr>
<td>28-37 years</td>
<td>17</td>
<td>42.5</td>
<td>42.5</td>
<td>55.0</td>
</tr>
<tr>
<td>38-47 years</td>
<td>11</td>
<td>27.5</td>
<td>27.5</td>
<td>82.5</td>
</tr>
<tr>
<td>48 and above</td>
<td>7</td>
<td>17.5</td>
<td>17.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
The data from the figure above reveals that the majority of the workers in the organization fall under the age group of 28 – 37 (42.5%), followed by those in the age group of 38 – 47 (27.5%) and 18 – 27 years (12.5%). The elderly people form a relative percentage of only 17.5% (48 and above years). This implies that the organization recruits the active age bracket of 28-37 for effective servicing delivery.
4.1.3 Findings on the education level of the respondents

Figure 3: Level of education of the respondents

From the findings in figure 3 above, 35% of the respondents were post graduates, 52.5% were degree holders, 12% were of diploma holder and none was found to hold a certificate alone.

It is therefore very clear that the company has got more graduates than diploma holders. This shows that the Local Government is composed of more skilled man power than casual labourers hence enabling the researcher to get reliable information from knowledgeable respondents.

Source: Primary data.
4.1.4 Findings on the working department of the respondents

Figure 4: Working the department of the respondents

Source: Primary data

From the findings 25% of the respondents were from Accounts department, 32.5% were from the finance department, with the internal audit department having the 17% and then other departments contributed 25% to the findings. This implies that the organisation recruits more in the finance department and accounting hence effective management of the public funds.
4.1.5 Findings on the working period with the organization

Table 3 : Period at work of the respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>5</td>
<td>12.5</td>
<td>12.5</td>
<td>12.5</td>
</tr>
<tr>
<td>1-5 years</td>
<td>19</td>
<td>47.5</td>
<td>47.5</td>
<td>60.0</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>16</td>
<td>40.0</td>
<td>40.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: primary Data

The data from figure 5 above reveals that most of the people had worked with the organization for a period of 1 – 5 years with a percentage of 47.5% and 40% was the percentage of the people who had worked with the organisation for more 5 years with only 12.5% those of less than 1 year. This implies that most of the respondents had enough information about the organization and hence enabled the researcher to get reliable information about the organisation.

4.1.6 Findings on whether the internal Audit department is independent from others

Table 4: Independence of the internal audit department from others

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>24</td>
<td>60.0</td>
<td>60.0</td>
<td>60.0</td>
</tr>
<tr>
<td>Agree</td>
<td>16</td>
<td>40.0</td>
<td>40.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

From the findings, the biggest percentage (60%) of the respondents strongly agrees that the internal audit department is independent with 40% being in support of the statement. This therefore implies that the internal audit performs its work with no interruption of other departments hence the effectiveness of the audit function.
4.1.7 Findings on whether the internal Audit’s reporting relationship is appropriate

Table 5: Reporting relationship of internal Audit

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>17</td>
<td>42.5</td>
<td>42.5</td>
<td>42.5</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>20</td>
<td>50.0</td>
<td>50.0</td>
<td>92.5</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>5.0</td>
<td>5.0</td>
<td>97.5</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>2.5</td>
<td>2.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

From table above, 50% of the respondents agreed that the reporting relationship of the internal audit is appropriate, 42.5% strongly agreed, 5% were not sure and 2.5% disagreed with the statement. This implies that the reporting relationship of the internal audit in Nakaseke Local Government is appropriate hence enables the internal auditors to effectively perform their work.

4.1.8 Findings on whether the internal Audit has access to departmental heads

Table 6: Internal Audit’s accessibility to departmental heads

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>26</td>
<td>65.0</td>
<td>65.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>14</td>
<td>35.0</td>
<td>35.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Agree</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 6 above, majority of the respondent strongly agree that the internal audit has got access to all heads of department with a percentage of 65% and 35% agreeing. This implies that the internal auditors can easily reliably rely on the information/reports got form the departmental heads and hence effectiveness of the internal audit work.
4.1.9 Findings on whether the Auditors carry out their work freely and with objectivity

Table 7: Freedom and objectiveness of the internal Auditors

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>32.5</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>67.5</td>
<td>67.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to table 7, most of the respondents Agreed (67.5%) with the freedom and objectivity of the internal auditor while carrying out their work and only (32.5%) strongly agreed, none disagreed. This implies that auditors in NLG generally perform their work freely and with objectivity. This enables them to take fair judgements and strictly enforce adherence to internal controls.

4.2.0 Findings on whether the Auditors follow internal controls when verifying transactions

Table 8: Auditors strictness when verifying transactions

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>15</td>
<td>37.5</td>
<td>37.5</td>
<td>37.5</td>
</tr>
<tr>
<td>Agree</td>
<td>21</td>
<td>52.5</td>
<td>52.5</td>
<td>90.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>2</td>
<td>5.0</td>
<td>5.0</td>
<td>95.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>5.0</td>
<td>5.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to table 8, majority of the people agreed (52.5%) and (37.5) strongly agreed that auditors strictly follow the internal controls when verifying transactions of the organization however, (5%) were not sure and only (5%) disagreed. This implies that on most occasions auditors of Nakaseke Local Government follow the internal control systems when verifying transactions. This was further seconded by the internal Auditor through the interview the researcher had with him about having an established internal control system. The district was also using invoices, vouchers, and books of accounts such as ledger books, cash books and others as controls to the district.
4.2.1 Findings on whether political leaders usually influence Audit work

Table 9: Political leaders influence in Audit work

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Valid percentage</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly agree</td>
<td>3</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Agree</td>
<td>17</td>
<td>42.5</td>
<td>42.5</td>
<td>50.0</td>
</tr>
<tr>
<td>Not sure</td>
<td>6</td>
<td>15.0</td>
<td>15.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>25.0</td>
<td>25.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>4</td>
<td>10.0</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data

According to table 9 above, 7.5% strongly agreed that political leaders usually influence Audit work with 42.5% supporting them, 15% were not sure 25% disagreed and 10% strongly disagreed. This implies that on most occasions the political leaders do influence the audit work and hence hindering the efficiency of the Audit work in Nakaseke Local Government.

(i) Control Environment

4.2.2 Findings on whether the internal audit is consistent with the organization’s size, complexity of operations and the level of growth.

Table 10: Internal audit’s consistence with organisations size

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>14</td>
<td>35.0</td>
<td>35.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>67.5</td>
</tr>
<tr>
<td>Not Sure</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 10 reveals that only (35%) agree that the internal audit is consistent with the organization’s size, complexity of operations and the level of growth, (32.5%) of the respondents are not sure and (32.5%) disagree. The 32.5% of the members that disagreed
show that not all the members understood what was taking place within the organisation. However the 35% that agreed imply that internal auditors of NLG are consistent with the organization’s size, complexity of operations and the level of growth hence may be the contributing factor to the some what performance of the organisation.

4.2.3 Findings on whether the Auditors possess the skills and knowledge

Table 11: Possession of Auditor’s skills and knowledge

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>30</td>
<td>75.0</td>
<td>75.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>25.0</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

From the findings in table 11 above, (75%) strongly agree that the internal audit possesses the skills and knowledge with (25%) of the respondents in support of the statement and none disagreed. This implies that the internal auditors of Nakaseke local government execute their work with due skills and professional care and hence the efficiency and effectiveness of the audit work.

4.2.4 Findings on whether the internal Auditor operates with a formal charter

Table 12: Internal Audit’s operation with a formal charter

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>6</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>67.5</td>
<td>67.5</td>
<td>82.5</td>
</tr>
<tr>
<td>Not Sure</td>
<td>6</td>
<td>15.0</td>
<td>15.0</td>
<td>97.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>2.5</td>
<td>2.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

According to table 12 above, (67.5%) of the respondents agree that the internal audit operates with a formal charter approved by the board, (15%) strongly agree, other (15%) are not sure and only (2.5%) disagree. This implies that the internal auditors of Nakaseke Local Government perform their work in line with the laid down policies and hence one of the contributing factors to the effectiveness of their work and the some what performance of the Local Government.
(ii) Risk Assessment

4.2.5 Findings on whether internal audit facilitates risk and self – control assessment

Table 13: Internal Audit’s facilitation of risk and self-control assessment

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>2</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>37.5</td>
</tr>
<tr>
<td>Not Sure</td>
<td>14</td>
<td>35.0</td>
<td>35.0</td>
<td>72.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>25.0</td>
<td>25.0</td>
<td>97.5</td>
</tr>
<tr>
<td>22.00</td>
<td>1</td>
<td>2.5</td>
<td>2.5</td>
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<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

According to table 13 above, 32.5% agreed that the internal Audit facilitates risk and self-control assessment and 5% strongly agreed. However the bigger percentage 35% was not sure and 25% disagreed with only 2.5% strongly disagreeing. The percentage of 32.5% and 5% that agreed generally implies that the internal audit facilitates risk and self-control assessment and fact that the biggest percentage was not sure, this implies that most respondents were not aware of what was happening within the organisation hence a contributing factor to the current poor performance of the Local Government.

4.2.6 Findings on whether there are clear management statements on risk management and internal controls in the organization

Table 14: Management statements on risk management and internal controls

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
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</tr>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
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<tr>
<td>Agree</td>
<td>20</td>
<td>50.0</td>
<td>50.0</td>
<td>57.5</td>
</tr>
<tr>
<td>Not Sure</td>
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<td>12.5</td>
<td>12.5</td>
<td>70.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>30.0</td>
<td>30.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

According to table 14 above, 50% of the respondents agree and 7.5% are in support of the statement that there are clear management statements on risk management and internal controls in the organization, 12.5% are not sure and 30% disagree. The 30% that disagreed relatively imply that the statements perhaps are not distributed to all departments which leave most of the people within the organisation ignorant about how to manage risk and hence may be the contributing factor to inefficient performance of the internal audit in NLG.
4.2.7 Findings on whether internal audit identifies areas of risk within the organization and structures the overall Audit approach to cover these risks.

Table 15: Identification of areas of risk within the organisation

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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<td>4</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Agree</td>
<td>12</td>
<td>30.0</td>
<td>30.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Not sure</td>
<td>9</td>
<td>22.5</td>
<td>22.5</td>
<td>62.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>15</td>
<td>37.5</td>
<td>37.5</td>
<td>100.0</td>
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<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

From the findings in table 15 above, 37.5% disagree with the question whether internal audit identifies areas of risk within the organization and structures the overall Audit approach to cover the risk, 22.5% of the respondents are not sure whereas 30% agree and only 10% strongly agree. This implies that the internal audit rarely identifies areas of risk within the organization and this may hence be a contributing factor to the current inefficient performance of the internal audit function in the Local Government.

(iii) Control Activities

4.2.8 Findings on whether internal Audit identifies and profiles its member’s needs and expectations.

Table 16: Identification and profiling of members needs and expectations by the internal audit.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly agree</td>
<td>17</td>
<td>42.5</td>
<td>42.5</td>
<td>42.5</td>
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<tr>
<td>Agree</td>
<td>19</td>
<td>47.5</td>
<td>47.5</td>
<td>90.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>4</td>
<td>10.0</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.
Table 16 above clearly show that the internal audit identifies and profiles its member’s needs and expectations since 42.5% strongly agreed and 47.5% of the respondents were in support of them and only 10% were not sure. This implies that departmental heads get requirements needed in their departments easily and hence the fair performance of the Local Government.

4.2.9 Findings on whether internal audit has moved away from being reactive to being proactive.

Table 17: Internal audit’s move from reactive to proactive.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly agree</td>
<td>3</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>7.5</td>
<td>7.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Not Sure</td>
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<td>22.5</td>
<td>22.5</td>
<td>37.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>25</td>
<td>62.5</td>
<td>62.5</td>
<td>100.0</td>
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<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

According to table 17, 7.5% agreed that the internal audit has moved away from being reactive to being proactive, 7.5% were in support of them, 22.5% were not sure and 62.5% disagreed with the question. This implies that the internal Audit reacts to events after they have happened than being proactive hence this may further be a contributing factor to the current poor performance of the internal audit function in Nakaseke Local Government.

(iv) Information and Communication

4.3.0 Findings on whether internal auditors routinely capture information on performance effectiveness and operational efficiency.

Table 18: Capturing of information on performance effectiveness and efficiency.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
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<td>77.5</td>
<td>77.5</td>
</tr>
<tr>
<td>Agree</td>
<td>1</td>
<td>2.5</td>
<td>2.5</td>
<td>80.0</td>
</tr>
<tr>
<td>Disagree</td>
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<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data
From the above information 77.5% of the respondents strongly agreed that the internal auditors routinely capture information on performance effectiveness and operational efficiency, only 2.5% agreed and 20.0% disagreed with the question. This information implies that the internal audit captures information on performance effectiveness and operational efficiency but not routinely. This may be due to the months that are left out minus carrying out performance appraisals. According to the interview the researcher had with the internal Auditor of NLG, performance appraisals are carried out annually.

4.3.1 Findings on whether the organization’s senior management is receptive to all communications controls including the bad news.

Table 19: Senior management’s reception to all communications

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Agree</td>
<td>25</td>
<td>62.5</td>
<td>62.5</td>
<td>67.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to the findings in table 19 above, 5% strongly agreed 62.5% were in support of the question that the organization’s senior management is receptive to all communications controls including the bad news and 32.5% of the respondents disagreed. This generally implies that the organization’s senior management is not receptive to all communications and which also hinders the internal auditor’s judgements and recommendations and hence a contribution to the weak internal audit function and the current poor performance of the Local Government.
4.3.2 Findings on whether the importance of risk management and controls has been communicated throughout the organization

Table 20: Communications on the importance of risk management and controls

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Agree</td>
<td>16</td>
<td>40.0</td>
<td>40.0</td>
<td>47.5</td>
</tr>
<tr>
<td>Not Sure</td>
<td>3</td>
<td>7.5</td>
<td>7.5</td>
<td>55.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>18</td>
<td>45.0</td>
<td>45.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to Table 20 above, only 7.5% of the respondents strongly agreed that the importance of risk management and controls has been communicated throughout the organization, 40% agreed in support of them, 7.5% were not sure and 45% disagreed. Generally implying that, there is a relatively weak control system of information and communication in Nakaseke Local Government and hence a contributing factor to the weak internal audit functions and the current poor performance of the Local Government.

(v) Monitoring

4.3.3 Findings on whether the internal audit has a comprehensive internal monitoring program.

Table 21: Comprehensive internal monitoring program of the internal audit.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>19</td>
<td>47.5</td>
<td>47.5</td>
<td>47.5</td>
</tr>
<tr>
<td>Agree</td>
<td>21</td>
<td>52.5</td>
<td>52.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
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<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

Table 21 above shows that 47.5% of the respondents strongly agreed that the internal audit has a comprehensive internal monitoring program and 52.5% were in support of them with none disagreeing. This implies that there is a strong and comprehensive monitoring program with in the Local Government and hence may be the contributing factor to the fair performance of the internal audit functions and the performance of the Local Government.
4.3.4 Findings on whether the internal audit through its monitoring function has enhanced the organization's corporate code of conduct

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
<td>27</td>
<td>67.5</td>
<td>67.5</td>
<td>67.5</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to the table above, 67.5% strongly agreed that the internal audit through its monitoring function has enhanced the organization's corporate code of conduct, 32.5% were in support of them, and none disagreed. This implies that the internal audit function of Nakaseke Local Government enhances the organization corporate code of conduct through its monitoring program hence effective audit work and the fair performance of the organization.

4.3.5 Performance of local governments

According to the work plan of the year beginning July 2007 and the performance reports of the year ending June 2008, the local government reported a satisfactory performance of 75% in the provision of works and water, unsatisfactory reports of 15% and 10% in the construction of schools, classrooms, toilets and teachers’ houses and in the provision of health services respectively as most of the planned activities had not been implemented by the end of the financial year June 2008 as they are explained in the findings below.

4.3.6 Findings on whether the district local government provides works and water facilities to the community in terms of roads rehabilitation and maintenance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly Agree</td>
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<td>35.0</td>
<td>35.0</td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>60.0</td>
<td>60.0</td>
<td>95.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>2.5</td>
<td>2.5</td>
<td>97.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>2.5</td>
<td>2.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
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<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to table 23 of findings above, 35% of the respondents strongly agreed with the question, 60% were in support of them and 2.5% were not sure and only 2.5% disagreed.
This implies that the district local government provide quite satisfactory services as regards to the provision of works and water facilities to the community and hence a better performance of the local government.

4.3.7 Findings on whether the district local government carter for the construction of teachers houses, classrooms, Toilets and offices in all government primary schools.

Table 24: Construction of teacher’s houses, classrooms, toilets and offices.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>37.5</td>
<td>37.5</td>
<td>40.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>9</td>
<td>22.5</td>
<td>22.5</td>
<td>62.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>95.0</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>5.0</td>
<td>5.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to table 24 above, only 2.5% strongly agree and 37.5% agree that the district local government carter for the construction of teacher’s houses, classrooms, toilets and offices in all government primary schools. 32.5% disagree, 5% strongly disagree and 22.5% are not sure. This generally implies that not all services are provided to government primary schools. From the information the researcher got from the Work plan of the year ending June 2008, only 2 toilets had been built, 3 head teacher’s houses had been renovated and no class had been constructed or renovated in the whole district which clearly indicate un satisfactory services to the public.

4.3.8 Findings on whether the district local government provides health services such as medicine, immunization, counselling, drugs in all health units free of charge.

Table 25: Provision of health services such as medicine, immunisation and drugs.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>37.5</td>
<td>37.5</td>
<td>42.5</td>
</tr>
<tr>
<td>Not Sure</td>
<td>9</td>
<td>22.5</td>
<td>22.5</td>
<td>65.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>14</td>
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</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.
The findings in table 25 above show that 35% disagreed with the question that the district local government provides health services such as medicine, drugs immunization, and counselling in all health units free of charge. 22.5% were not sure 37.5% agreed and only 5% strongly agreed. Form the findings it is clear that not all services are provided free of charge. According to the Board of survey report of the year ending June 2008 that the researcher accessed, 75% of the health units within the district had no enough drugs whereby some were soon expiring. This therefore prompts the sale of some services within the health units.

4.3.9 Findings on whether Local Government activities are implemented as planned in the Work plan.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>8</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Agree</td>
<td>26</td>
<td>65.0</td>
<td>65.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Disagree</td>
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<tr>
<td>Strongly Disagree</td>
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<td>7.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

From the findings presented by table 26 above 65% agreed and 20% strongly agreed that the local government activities are implemented as planned in the district Workplan, 7.5% disagreed and 7.5% strongly disagreed. This implies that local government activities are implemented as planned in the district Work plan. However the percentage that disagreed and that that strongly disagreed;7.5% and 7.5% indicates that not in all cases are activities implemented as planned in the workplan and hence the fair performance of Nakaseke Local Government.

4.4.0 Findings on whether the District Publi Accounts Committee always reviews internal Audit reports.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree</td>
<td>27</td>
<td>67.5</td>
<td>67.5</td>
<td>67.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>13</td>
<td>32.5</td>
<td>32.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
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<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.
Form the findings given in table 27 above, 67.5% agreed that the District Public Accounts Committee always reviews internal Audit reports however 32.5% disagreed. This implies that the district Public Accounts Committee irregularly reviews the Audit reports which also results to some manipulations and hence may be a contributing factor to the current poor performance of the local government.

4.4.2 Findings on whether there are no cases of diversion of public funds for personal benefit within the Local Governments of Uganda.

Table 28: Diversion of public funds for personal benefit.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>37.5</td>
<td>37.5</td>
<td>45.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>4</td>
<td>10.0</td>
<td>10.0</td>
<td>55.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
<td>22.5</td>
<td>22.5</td>
<td>77.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>9</td>
<td>22.5</td>
<td>22.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data.

According to findings in the table above, 7.5% strongly agreed that there are no cases of diversion of public fund for personal benefit, 37.5% agreed with them, 10% were not sure, 22.5% disagree and 22.5% strongly disagree. This implies that cases of diversion of public funds for personal benefit are quite many with the local government of Uganda. This could be due to irregular review of the audit report hence a contributing factor to the current poor performance of the Local Government.

4.4.3 Findings on the relationship between internal audit function and the performance of local governments of Uganda

The third research question sought to analyze the relationship between internal audit function and the performance of local governments of Uganda. Correlation tests were run to establish this relationship. The parameters grouped in determinants of internal audit functionality were, internal controls and independence. It is believed that when internal controls are in place and working, and the auditors are not interfered with during their conducts of activities then internal audit will be functional and will be in position to submit quality information about
activities of the organization to stakeholders for the betterment of their organization’s performance.

As a result of both the independent variable being interval scaled in nature, the Pearson’s correlation test was run to establish the relationship between the independent variable and the dependent variable. The independent variable was internal audit function which in it included the control systems and independence whereas the dependent variable was performance of local governments of Uganda. The results are presented in the table below.

### Correlations

<table>
<thead>
<tr>
<th></th>
<th>INTERNAL AUDIT</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTERNAL AUDIT</strong></td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>40</td>
</tr>
<tr>
<td><strong>PERFORMANCE OF LOCAL GOVERNMENTS</strong></td>
<td>Pearson Correlation</td>
<td>.963 **</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>40</td>
</tr>
</tbody>
</table>

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

Source: Primary Data.

In general, the findings in the table above reveals that internal audit is significant and positively related to performance (r = 0.963**, PV = 0.01). The positive correlation coefficient of 0.963 indicates a positive relation between internal audit function and performance of the local government. Hence having in place a well established audit function will lead to improved performance whereas a poorly established internal audit function will lead to the poor performance of the local government.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This study was designed and carried out to establish the performance of internal Audit in Local Governments and performance of Local Governments as a whole. It also stabled the relationship between internal Audit and performance of Local governments. It investigated the impact of internal Audit on the performance of Local Governments. Internal Audit was assumed to depend on internal control systems and independence while performance of local governments was provided by aspects of performance indicators of school infrastructure, health services, and works and water.

5.2 Summary of findings
5.2.1 Performance of internal Audit
The findings revealed that on average the performance of internal Audit in Nakaseke Local Government is significantly affected by internal controls especially risk assessment, information and communications, and finally by auditor’s independence this makes their performance fairly satisfactory. The internal Auditors are not so independent when carrying out their work as they are influenced by both the politicians and management. Internal control systems were found to be inappropriate and hence impacting negatively on the performance of internal Audit.

5.2.2 Performance of Local Governments
The findings show the Local Government performance has generally been fairly satisfactory as can be evidenced by the services rendered in health, water and works, and in schools. Better performance was hampered due to some loopholes in the system being attributable to the weak internal Audit function resulting from lack of complete independence on internal Auditors, and inappropriate internal controls. According to the work plan of the year beginning July 2007 and the performance reports of the year ending June 2008, the local government was performing fairly by providing quite satisfactory services to the public of 75% in the provision of works and water, and quite unsatisfactory services of 15% and 10% in construction of schools and in the provision of health services respectively as most of the planned activities had not been implemented by the end of the financial year June 2008.
5.2.3 Relationship between Internal Audit and Performance of Local Governments

Findings reveal that internal controls and Independence have direct influence on the performance of the local Governments. The positive correlation coefficient of 0.963, PV= 0.01 indicates a positive relation between internal audit function and performance of the local government. A perfect internal audit function leads to better services delivery.

(a) Internal control systems

The findings revealed that there is inappropriate internal control system in Nakaseke district, which leads to moderate Local Government performance. These internal control systems are weak and are subject to manipulations and this affect the performance of internal Audit and the performance of Local governments as a whole. Weak internal control system negatively impact on the performance of internal Auditors since internal control contracts such as management policies and management procedures are part of internal Auditor’s reference when executing their work.

(b) Independence

The research findings show that independence narrowly positively and significantly relate to Local Government performance. This would mean that internal Auditor’s independence results into an improvement in performance, as the loopholes are independently reported on the solutions to these improvements suggested. It also revealed that Nakaseke district internal Auditors are in some cases interfered with, when executing their duties, by the political leaders.

5.3 Summary of conclusions

The study concludes that; there exist significant relationships between the variables of study as conceptualized. Internal Audit being significantly and highly positive related to performance of Local Governments; internal control system are significantly and moderately related to performance where as Independence of Auditors was found out to be significantly and slightly related to performance of government. Absence of political interference on internal Auditor’s work leads to a good internal Audit capable of combating financial mismanagement and hence better performance of Local Government. Likewise appropriate
internal control systems render the internal Audit strong and hence improve Local Government’s performance.

5.4 Recommendations

The findings revealed that internal Auditors were performing their duties as required of them due to lack of complete independence of internal Auditors arising out of some elements of political leaders intervention in Audit work and also due to inappropriate internal control system mainly being attributed to the weak elements of risk assessment, and information and communication. In a bid to improve performance, it is recommendable for the district management to ensure that audit reports are always reviewed; that communication between the internal auditor and the senior management is effective, that internal audit moves away from being reactive to being proactive, that also internal auditor identifies areas of risk within the organisation and that activities also be implemented as planned in the work plan. Further the political leaders should know their limit in the audit work. According to the internal auditor of the district, quick action should be taken to the recommendations made by him to the district management.

5.5 Areas of further research

- The findings of the research appear to indicate that political leaders don’t know their role in Local government management. This necessitates a need to study the roles of politicians and the performance of Local Governments.

- From this study it can also be observed that there are moderate internal controls in Local governments and that work plans are not strictly followed when implementing activities. This therefore calls for a research to study whether there could exist a relationship between internal controls and work plan performance in local government.
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APPENDICES

APPENDIX I: QUESTIONNAIRE

MAKERERE UNIVERSITY

Dear/Madam

I am Alinaitwe Jennifer a student at Makerere University carrying out academic research aimed at investigating the internal audit and performance of Nakaseke Local Government.

I kindly request you to spare me some minutes of your time to respond to the questions below

For the purpose of the requirement of the award of commerce degree of Makerere University your answers will be treated with utmost confidentiality.

Thank you for making this study a success

PART A

Personal Data

1. Sex:
   Male ☐  Female ☐

2. What is your age bracket?

<table>
<thead>
<tr>
<th>18 – 27 years</th>
<th>28 - 37 years</th>
<th>38 – 47 years</th>
<th>48 years and above</th>
</tr>
</thead>
</table>

3. Level of Education

Post graduate ☐  Degree holder ☐  Diploma ☐  Certificate ☐

Others (specify)……………………………………

4. In which department do you work?

Accounts ☐  Finance ☐  Internal Audit ☐

Any other (specify)……………………………………

5. How long have you worked with the organization?

Less than 1 year ☐  1 – 5 years ☐  More than 5 years ☐

PART B
Please tick appropriately: (S/A= strongly Agree, A= Agree, N/S= Not sure, D/A= Disagree, S/D= Strongly Disagree)

Independence is mandatory in Auditing and is particularly important that the internal Auditors be independent of the activities they Audit in order to have an effective internal Audit function.

<table>
<thead>
<tr>
<th></th>
<th>S/A</th>
<th>A</th>
<th>N/S</th>
<th>D/A</th>
<th>S/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Internal Audit department is independent from other departments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The reporting relationship of internal Audit is appropriate</td>
<td></td>
<td></td>
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<tr>
<td>8</td>
<td>The internal Audit has access to departmental heads, the accounting officers, and the organization’s records</td>
<td></td>
<td></td>
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<tr>
<td>9</td>
<td>Auditors carry out their work freely and with objectivity</td>
<td></td>
<td></td>
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<tr>
<td>10</td>
<td>Internal Auditors strictly follow internal controls when verifying transactions</td>
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<tr>
<td>11</td>
<td>Political leaders usually influence auditors work</td>
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</tbody>
</table>

**PART C**

The different control elements have been put in place by the internal Audit to safeguard assets, comply with laws and regulations, ensure the completeness and correctness of accounting data, promote efficiency and encourage adherence to management.

<table>
<thead>
<tr>
<th></th>
<th>S/A</th>
<th>A</th>
<th>N/S</th>
<th>D/A</th>
<th>S/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) <strong>Control environment</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>12</td>
<td>Internal audit is consistent with the organization’s size, complexity of operations and level of growth</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>13</td>
<td>The auditor possesses the skill and knowledge</td>
<td></td>
<td></td>
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<tr>
<td>14</td>
<td>The internal audit operates with a formal charter approved by the board</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>S/A</th>
<th>A</th>
<th>N/S</th>
<th>D/A</th>
<th>S/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii) <strong>Risk Assessment</strong></td>
<td></td>
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<tr>
<td>15</td>
<td>Internal audit facilitates risk and self-control assessment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>There are clear management statements on risk management and internal controls in the organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Internal audit identifies areas of risk within the organization and structures the overall audit approach to cover these areas of risk</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(iii) Control Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Internal audit identifies and profiles its members needs and expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Internal audit has moved away from being reactive to being proactive</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(iv) Information and communication</td>
<td></td>
<td></td>
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<tr>
<td>20</td>
<td>Internal routinely captures and reports information on performance effectiveness and operational efficiency.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>The organization’s senior management is receptive to all communications controls including bad news</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>22</td>
<td>The importance of risk management and controls has been communicated throughout the organization</td>
<td></td>
<td></td>
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<tr>
<td>(v) Monitoring</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>23</td>
<td>Internal audit has a comprehensive internal monitoring program</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>24</td>
<td>Internal audit through its monitoring function has enhanced the organizations corporate code of conduct</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance of Local Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>The Local Government provides works and water facilities to the community in terms of road rehabilitation and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
26 The district local government carter for the construction of teacher’s houses, classrooms, Toilets and offices in all government primary schools

27 The district Local Government provides health services such as Medicine, Immunization, counseling, Drugs in all health units free of charge

28 In all cases, Local Government activities are implemented as planned in the Work plan.

29 The district Public Accounts Committee always reviews internal Audit report

30 There no cases of diversion of public funds for personal benefit

PART D
Assessing the relationship between the internal Audit and performance of Local Government.

<table>
<thead>
<tr>
<th></th>
<th>S/A</th>
<th>A</th>
<th>N/S</th>
<th>D/A</th>
<th>S/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 The strength of internal Audit influences the level of performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32 Good policies and practices of the internal audit have a positive bearing on performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33 Internal controls provide reliable financial reporting for management decisions and improve performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34 Internal Audit leads to provision of quality services to the public</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interview guide
1. How long has Nakaseke Local Government been in place?

2. Is there an established internal control system?

3. How often do you carry out performance appraisal?

4. How has been the performance of Nakaseke Local Government report past three years

5. What recommendations and suggestions can you make for Nakaseke
APPENDIX II: INTRODUCTORY LETTER