
**INTERNAL CONTROLS, ORGANIZATIONAL CULTURE AND FINANCIAL ACCOUNTABILITY IN
UGANDA
A CASE OF NORTH BUKEDI SUB-REGION DISTRICT LOCAL GOVERNMENTS**

BY

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**A DISSERTATION SUBMITTED TO THE DIRECTORATE OF GRADUATE STUDIES,
RESEARCH AND INNOVATION IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION OF
BUSITEMA UNIVERSITY**

OCTOBER, 2024

DECLARATION

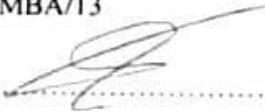
DECLARATION

I **Okiria Silvester** do confirm that this research dissertation is my original work and has not been submitted for examination in this university and any other university for academic purposes.

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APPROVAL

APPROVAL

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DEDICATION

I dedicate this Dissertation to the Lord Almighty for the wisdom, good health and protection to me during my studies, my mother Naikesa Margaret and my beloved wife, Namukasa Lovise and children for inspiring me to read.

ACKNOWLEDGEMENT

I acknowledge Busitema University, Faculty of management sciences for the good reading environment, I appreciate all my MBA lecturers and in a special way to my supervisors, Prof. Rafiu Oyesola Salawu and Dr. Watema Joash for their invaluable intellectual guidance, may the Almighty father reward you greatly. My heartfelt gratitude goes to my MBA and MPA course mates in particular Okiror Ismael, Adey Jude, Moreen, Oger David, Okello Francis Xavier, Lyomoki Arafat, Munir and Semakula Muhusin the struggle continues and God's blessing to all of us.

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LIST OF ABBREVIATIONS

PDLG	Pallisa District Local Government
BU	Busitema University
GOV'T	Government
PFMA	Public Finance Management Act
PPDA	Public Procurement and Public Disposal of Public Assets
RDC	Resident District Commander
SDG	Sustainable Development Goals
SFG	School Facilitation Grant
PTC	Pallisa Town Council
CAO	Chief Administrative Officer
CFO	Chief Finance Officer
DHO	District Health Officer
CIA	Chief Internal Auditor
IC	Internal Controls
OC	Organization Culture
FA	Financial Accountability
UWEP	Uganda Women Entrepreneurship Program
YLP	Youth Livelihood Program
MOFPED	Ministry Of Finance, Planning and Economic Development
PAC	Public Accounts Committee
IGG	Inspectorate Of Government
OAG	Office of Auditor General

GAO	Government Accounting Office
LGA	Local Government Act
LGFAR	Local Government Financial and Accounting Regulations
LGFAM	Local Government Financial and Accounting Manual
LGIAM	Local Government Internal Audit Manual
SCDO	Senior Community Development Officer
PAS	Principal Assistant Secretary
SACAO	Senior Assistant Chief Administrative Officer
PDM	Parish Development Model
CEO	Chief Executive Officer
USA	United States of America
UNDP	United Nations Development Program
MDA	Ministry, Departments and Agencies
IA	Internal Auditor
TC	Town Council
SATC	Senior Assistant Town Clerk
SPSS	Statistical Package for Social Sciences
PWCs	Price Water Coopers
MOLG	Ministry Of Local Government
TT	Town Treasurer
SAA	Senior Assistant Accountant
AfDB	African Development Bank
IMF	International Monetary Fund

ABSTRACT

Financial accountability was crucial for individuals, businesses and government entities alike, to manage their financial sources and expenditures prudently, without it, there would be endless financial problems. Despite the extensive researches carried out on the effects of internal controls on financial accountability Ong'gunya & Kalenzi, (2019); Bainomugisha et al., (2023). Most researchers have focused on internal controls and financial accountability in government public hospitals, higher institutions of learning and foreign countries Adeyemi & Olarewaju, (2019). This calls for further research on why there is lack of compliance with internal controls and financial accountability in local governments in Uganda. A cross-sectional research design was adopted for this study. Primary data was collected from a sample of 70 local governments from North Bukedi sub region with 65 local governments responding giving a response rate of 92%. Closed-ended questionnaires were used to collect data and SPSS was used to analyse data. The correlation results revealed that internal controls positively and significantly affect financial accountability. In addition, the study indicated that internal controls had a positive and significant effect on organization culture. The findings further showed that organization culture, positively and significantly affects financial accountability. whereas the regression results showed, internal controls had a significant and positive effect on financial accountability, a unit change in internal controls causes a unit change in financial accountability. Internal controls and organisation culture, the results showed that internal controls had a significant and positive effect on organisation culture, implying a unit change in internal controls causes a unit change in organisation culture. Organisation culture and financial accountability, the results showed that organisation culture had a significant and positive effect on financial accountability, a unit change in organisation culture causes a unit change in financial accountability. Finally, the results showed that organisation

culture partially mediates the relationship between internal controls and financial accountability. It was therefore recommended that, district local governments in Bukedi North Sub Region needed to align organization cultures with internal controls in order to enhance financial accountability, through training their staff regularly on the importance of internal controls and financial accountability. The study was anchored on the agency and accountability theory. The agency theory prescribes the process of establishing and managing organizations, businesses and entities where one person (principal) defines the duties to be performed by another person (agent) with the objective to make the best use of the principal's interest. The accountability theory is justified for making people to feel accountable for their actions or inactions towards others and for the processes by which decisions and judgement have been reached.

CHAPTER ONE

1.0 INTRODUCTION

The chapter comprises of the background of the study, statement of the problem, purpose of the study, specific objectives, research hypotheses, significance of the study, scope of the study, subject scope, geographical scope and conceptual framework.

1.1 BACKGROUND OF THE STUDY

Financial accountability, drew its origin from financial accounting, the way books were kept and how money was spent (Rabrenovic, 2020), it justifies the sources and application of public funds (Nani and Ali, 2020), it related to monitoring and managing government behaviour (Seller and Scharff, 2020). It was the obligation of power holders to take responsibility for their actions, to the citizens (UNDP). Financial accountability was related to internal controls in the way that, robust internal controls reduce the operations and ethical gaps as they integrated all organizations activities, plans, attitudes, policies and efforts of organization teams to achieve the intended objectives. Also, internal controls through good control environment, risk assessment, control activities, information and communication and monitoring aid financial accountability and enhance the organizations reputation. The other thing that linked culture to financial accountability was consequences and enforcement which could play important roles in financial accountability, as people fear to spoil their names/ reputation or to be tried for wrong doing or social stigma, also served as a powerful deterrent, leading individuals to be more accountable for their actions or inactions.

Globally, financial accountability had been deteriorating over the years. For instance, financial accountability mis-management was an endemic issue in the United States of America (USA), the recent and worst being the one revealed by the audit of the USA government financial statements for financial year 2021/2022, resulting in a multi-trillion Dollar mis-management for the Covid-19 pandemic response Funds (GAO 2023 report), which led to GAO to be unable to

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