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Internal Auditing Practices and Public Financial Management in Local Governments: A Case Study of Mbale Municipal Council

This study that aimed at finding out the effect of Internal Auditing Practices (IAP) on Public Financial Management (PFM) was carried out in Mbale Municipal Council. Specifically, the study examined the effect of monitoring adherence to budgetary allocations on financial management, effect of compliance with legal provisions on financial management and, effect of adherence to record keeping on financial management in the Mbale Municipal Council. The study adopted a case study research design in which both qualitative and quantitative approaches were used. The data were collected from 85 respondents using structured questionnaires. These included heads of departments, technical staff and councilors. The sampling of respondents was done using the simple random sampling method. Data analysis was done using frequencies, means and regression. The study found out that 84.9% of the respondents agreed that monitoring adherence to budgetary allocations procedure laid down in Mbale Municipal Council was being done. However, it observed that the level to which it is done is low with the average mean value of 1.70. The study further found out that 88.7% of the respondents agreed that there was compliance with legal provisions/frameworks and revenue management in Mbale Municipal Council. From the regression findings, the value for the monitoring adherence to budgetary allocations was found to be 0.042 which is less than 0.05 (standard). This implied that there was a significant effect on financial management. On the other hand, the value for compliance with legal provisions was 0.125 which was greater than the standard meaning there was no significant effect while for record keeping, the value was 0.0 meaning there was a significant effect. The study concluded that there was a significant influence of the auditing practices on public financial management in Mbale Municipal Council. This means public financial management is influenced by auditing practices by more than 38%. This implies that there are other factors that affect public financial management and this is by approximately 62%. The study recommends among other things, that Mbale Municipal Council should try to engage staff more in the use of internal auditing practices, adhere to policies of the council, supervise them to be more committed to work, train them on issues of procedure so as to realise a more significant influence on public financial management and ultimately have better service delivery.

Key words: Auditing, Internal, Financial, Management, Government, Local, Practice