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**The Role of Internal Audit in Financial Reporting: A Case Study of Mbale Municipal Local Government Council**

This study was about the role of internal audit in Financial Reporting. It focused on Mbale Municipal Local Government Council (MMLGC) as a case study. The study was guided by the following objectives; to examine the reliability of financial and other management information in MMLGC; to assess the effectiveness and adequacy of internal controls in MMLGC and to examine the level of effectiveness of accounting procedures in MMLGC. The researcher used a study population and sample size of 47 and 42 respondents respectively. The research design used in this study was both qualitative and quantitative where the researcher used case studies and surveys. The data collection instruments were questionnaires, interview guide and review of existing literature. Thus, both primary and secondary data sources were used. The findings of the study revealed that MMLGC had a weak internal audit function. Respondents revealed weak internal controls, inadequate training of staff, lack of segregation of duties, lack of integrity and reliability of financial and operational data, non-conformity with financial and operational policies, lack of monitoring, poor supervision, inadequate staff, inadequate modern technology, improper handling of receipts and mismanagement of funds. The study made the following recommendations based on the findings above: There is need for a strong internal audit function that includes strong internal controls, adequate training of staff, proper segregation of duties, integrity and reliability of financial and operational data, conformity with financial and operational policies, proper monitoring, adequate supervision, adequate staff, adequate modern technology, proper handling of receipts, and proper management of funds.

Key words: Auditing, Internal, Financial, Reporting