

INTERNAL CONTROL AND FINANCIAL ACCOUNTABILITY IN LOCAL GOVERNMENTS IN UGANDA: A CASE STUDY OF ARUA DISTRICT

¹Aitaa Sam Kilimvi, ² Abizu Stephen

¹Lecturer, ²Internal Auditor

¹Department of Business Administration, Faculty of Management Science,
Muni University, Arua, Uganda.

Abstract

Systemic structural challenges, fund leakage, and reporting delays continue to undermine the operational efficiency of sub-national public sector administrations across Sub-Saharan Africa, directly obstructing optimal local service delivery and eroding public trust (Mubangizi, 2020). This study examined the empirical relationship between the implementation of internal control frameworks and financial accountability in local governments in Uganda, using Arua District Local Government (DLG) as a critical empirical case. Grounded in Stewardship Theory, the investigation evaluated three dimensions of internal controls: control environment, control activities, and monitoring controls, and analyzed their specific predictive capacity to ensure financial transparency, reporting accuracy, and legal compliance under the Public Finance Management Act (PFMA) 2015.

A cross-sectional descriptive survey design was adopted, utilizing a quantitative approach. Data was collected from a representative sample of 134 respondents. Data quality control was verified through an independent expert validation panel, yielding a robust overall Content Validity Index (CVI) of 0.87, while internal scale reliability was confirmed with strong Cronbach's Alpha coefficients across all dimensions (0.837 to 0.966). Bivariate Pearson correlation and ordinary least squares (OLS) multiple linear regression modeling were executed using SPSS software.

The empirical findings revealed strong, positive, and statistically significant linear relationships connecting the control environment ($r = 0.861$, $p < 0.01$), control activities ($r = 0.778$, $p < 0.01$), and monitoring controls ($r = 0.817$, $p < 0.01$) to financial accountability, leading to the rejection of all three null hypotheses. The multi-variable regression model demonstrated strong explanatory power ($R^2 = 0.796$), accounting for substantial proportion of accounting variation.

The study concludes that robust internal control architectures are vital to prevent fiscal leakage, eliminate fraudulent manipulations, and satisfy statutory mandates. It is recommended that sub-national authorities invest directly in control capacities, minimize political interference in technical audits, and establish structured follow-up loops for audit exceptions.

Keywords: *Financial accountability; Internal control system; Control environment; Public sector accounting*

1.0 INTRODUCTION

The pursuit of optimal financial accountability across the public sector has emerged as a central pillar of modern macroeconomic governance and regional service delivery (Agostino et al., 2022). In many developing economies, the decentralization of public resources to local government units is designed to improve local administrative responsiveness and promote socioeconomic development. However, these structural arrangements are regularly undermined by weak resource management, reporting delays, and inadequate institutional compliance (Prichard et al., 2019).

Accountability operates as a vital administrative tradition that fulfills the doctrine of absolute transparency; without consistent documentation, timely reporting, and material verification, public satisfaction and institutional credibility are severely diminished (Rasche, 2020). Conversely, failure to detect and eliminate foundational internal control gaps manifests as corruption, systemic fund diversion, and uncoordinated expenditure management, which remain widespread across Sub-Saharan African administrations (Mubangizi, 2020).

Within the context of Ugandan local governance, internal control frameworks operate as essential risk assessment and management tools (Alexander, 2020). These structures are explicitly backed by the Public Finance Management Act (PFMA) 2015, which commands designated accounting officers to maintain secure, transparent, and legally compliant resource flows. Furthermore, the institutional internal audit function is legally mandated to evaluate risk exposures, flag systemic processing anomalies, and ensure that disbursed state allocations match their approved budget items.

Despite these statutory provisions, local government entities frequently experience significant friction points, marked by delayed accountability returns and poor metrics in national performance syntheses (Eton et al., 2022). This study investigates the empirical relationships connecting the control environment, specific control activities, and monitoring controls to overall financial accountability inside Arua District Local Government. By replacing speculative assumptions with verified field statistics, this paper aims to provide actionable strategic insights to help public sector executives build robust financial oversight frameworks and maximize local development returns.

1.1 BACKGROUND TO THE STUDY

The development of modern internal control frameworks can be traced back to institutional milestones in the mid-twentieth century, beginning with formalized frameworks established by the American Institute of Certified Accountants (AICA) in 1949, which were subsequently refined in 1958 and 1972 (Eton et al., 2022). These historical frameworks positioned internal controls as strategic mechanisms to safeguard corporate assets, check accounting accuracy, and prevent fraudulent reporting across complex corporate systems. The global relevance of these mechanisms expanded following the severe corporate collapses and financial accounting scandals of the 1980s (Ramazanov & Lambekova, 2022). These disruptions drove the publication of the Turnbull Committee guidelines in the United Kingdom and the eventual enactment of the Sarbanes-Oxley Act in the United States, cementing internal control verification as a mandatory regulatory requirement.

In public administration, these concepts evolved from simple financial checking methods into integrated risk assessment architectures (Al-Mashhadi, 2021). Modern public entities utilize enterprise software, continuous professional development (CPD) programs, and independent audit committees to lower operational risks and satisfy the transparency expectations of citizens and external donor agencies (Kayode & Oyeshola, 2021).

In Uganda, the operationalization of internal control frameworks across local government structures is governed by an integrated network of constitutional mandates, statutory laws, and treasury instructions. Section 45(2) of the Public Finance Management Act (PFMA) 2015 places direct, personal responsibility on local accounting officers to manage public resources transparently, while simultaneously establishing independent internal audit functions to monitor local fund utilization (Alexander, 2020). Furthermore, Section 90 of the Local Governments Act (Cap 243) explicitly requires all urban and district councils to maintain operational internal audit divisions capable of executing comprehensive transaction checks. To support these mandates, central authorities deployed digital financial management platforms, including the Integrated Financial Management System (IFMS) and the Integrated Revenue Administration System (IRAS). These software tools are designed to automate transaction matching, strictly enforce budget limits, and ensure that sub-national spending complies with national treasury instructions (Alexander, 2020).

However, despite these legal frameworks and digital tools, local government units across Uganda continue to experience operational friction regarding timely financial reporting and compliance (Eton et al., 2022). National compliance records indicate that a substantial percentage of civil servants across various district and lower-level councils fail to clear their financial accountabilities within the mandatory 30-day statutory window required by law (Eton et al., 2022). This operational problem is documented in the annual Local Government Management of Service Delivery Performance Assessments published by the Office of the Prime Minister (OPM). These national synthesis reports track sub-national compliance against core indicators of transparency, accounting accuracy, and asset management (Office of the Prime Minister, 2021, 2023).

In the 2020, 2021, and 2022 national assessments, several local government units within the West Nile sub-region specifically Pakwach, Nebbi, and Arua districts regularly scored below national averages (Office of the Prime Minister, 2021, 2023). In 2020, Arua District recorded a minimal score of 10% in the specific functional area of transparency and accountability, placing it at a low national rank of 127 out of all evaluated local government votes (Office of the Prime Minister, 2021). While its absolute performance indicators showed moderate adjustments in 2021 and 2022, resulting in ranks of 86 and 89 respectively, its baseline accountability outputs remained depressed (Office of the Prime Minister, 2023).

Academic literature and oversight reports suggest that these persistent financial shortfalls are rarely caused by a complete absence of internal check guidelines (Mzimba & Motubatse, 2024). Instead, they stem from internal operational issues, including staff collusion, unauthorized management overrides, and a lack of technical capacity among lower-level personnel (Mzimba & Motubatse, 2024). This institutional context is further complicated by localized political interferences and conflicts of interest that weaken the independence of internal audit reviewers (Eton et al., 2022).

While macro-level compliance studies are frequently executed within centralized ministries in Kampala, localized empirical research examining the precise operational relationships between internal controls and financial accountability in West Nile border districts remains limited. This study addresses this empirical gap by executing an in-depth investigation within Arua District Local Government, analyzing how the control environment, specific control activities, and monitoring controls function together to predict public sector financial accountability.

1.2 STATEMENT OF THE PROBLEM

Financial accountability has for long been a contentious issue among local governments in Uganda (Alexander, 2020). Despite the deployment of structured internal control systems, including multi-layered authorization processes, independent internal audit verification, and automated accounting tools, public oversight reports regularly document instances of uncleared funds, processing delays, and compliance deviations (Eton et al., 2022). Central government synthesis evaluations from the Office of the Prime Minister (OPM) show that Arua District Local Government has historically failed to account for public resources within the mandatory monthly window required by the Public Finance Management Act (PFMA) 2015. This compliance gap is highlighted by national performance records: in the 2020 fiscal evaluation, Arua District scored a minimal 10% in aggregate accountability and transparency, ranking 127th nationally (Office of the Prime Minister, 2021). Although its position adjusted slightly to 86th in 2021 and 89th in 2022, its absolute baseline scores remained below national averages (Office of the Prime Minister, 2023).

This persistent shortfall indicates an underlying structural problem: local administrative units struggling to fully implement internal controls, resolve ongoing internal audit exceptions, and protect technical processing workflows from political interference (Eton et al., 2022). Consequently, multi-layered digital platforms like IFMS and IRAS are regularly undermined (Eton et al., 2022).

Without an empirical, structurally validated assessment of how specific internal control components predict accounting accuracy and transparency, local administrators lack the targeted insights needed to correct these operational deficiencies. This results in continued budget deviations, inefficient project execution, and reduced public trust in local government service delivery (Kariuki & Reddy, 2017). Subsequently, this study therefore examined the empirical relationship between the implementation of internal control frameworks and financial accountability in local governments in Uganda, using Arua District Local Government (DLG) as a critical empirical case.

1.3 OBJECTIVES

1.3.1 Main Objective

The main objective of the study is to examine the relationship between the implementation of internal controls and financial accountability within local governments in Uganda, using Arua District Local Government as the primary case study.

1.3.2 Specific Objectives

1. To examine the relationship between the control environment and financial accountability in Arua District Local Government.

2. To establish the relationship between control activities and financial accountability in Arua District Local Government.
3. To examine the contribution of monitoring controls to financial accountability in Arua District Local Government.

1.4 RESEARCH QUESTIONS

1. What is the relationship between the control environment and financial accountability in Arua District Local Government?
2. What is the relationship between control activities and financial accountability in Arua District Local Government?
3. To what extent do monitoring controls contribute to financial accountability in Arua District Local Government?

1.5 RESEARCH HYPOTHESES

H₁: The control environment does not have a significant relationship with financial accountability in Arua District Local Government.

H₂: Control activities do not have a significant relationship with financial accountability in Arua District Local Government.

H₃: Monitoring controls do not contribute significantly to financial accountability in Arua District Local Government.

2.0 EMPIRICAL AND THEORETICAL REVIEW

2.1 Theoretical framework

This study is theoretically framed using Stewardship Theory, originally conceptualized by Donaldson and Davis (1991) and integrated into public sector resource management frameworks by modern researchers (Alexander, 2020). In contrast to Agency Theory—which assumes that agents are inherently self-serving, risk-averse, and driven by personal utility maximization—Stewardship Theory views organizational actors as collectivistic, pro-organizational, and inherently trustworthy stewards of institutional resources (Alexander, 2020). Under this model, public sector financial managers are viewed as psychological and sociological actors whose ultimate motivation and satisfaction align directly with the success, fiscal health, and performance of the organization they serve (Alexander, 2020). The theory suggests that when accounting officers and finance personnel are empowered with appropriate independence, clear guidelines, and structured tools, they naturally strive to maximize organizational outcomes, protect state assets, and fulfill their reporting duties without requiring intense, adversarial monitoring (Aramide & Bashir, 2015).

In the context of Ugandan local governments, the preparation of accurate financial statements and compliance with treasury guidelines operate as core stewardship duties. These metrics show how effectively an accounting officer manages the public resources entrusted to them by central authorities and local taxpayers (Aramide & Bashir, 2015). Under the Public Finance Management Act (PFMA) 2015, financial accountability is evaluated through public audits executed by the Office of the Auditor General (OAG), alongside legislative overviews conducted by the Parliamentary Accounts Committee (PAC) (Kujuna, 2020).

Stewardship Theory provides the conceptual foundation for these mechanisms by assuming that public sector financial managers can align their personal behaviors with state objectives when supported by clear organizational configurations (Alexander, 2020). However, researchers note that this stewardship relationship can be disrupted by unstable, highly political, or fragmented local environments (Hedger & Blick, 2008). When institutional structures lack clarity or face external interference, even motivated stewards struggle to maintain processing accuracy, resulting in reporting deviations and accountability gaps (Jasir & Barghathi, 2023).

2.2 EMPIRICAL REVIEW

Control Environment and Financial Accountability

The control environment serves as the structural foundation for an organization's internal control architecture, reflecting management's overall attitude, integrity, and ethical commitment to regulatory compliance (Al-Mashhadi, 2021). Empirical literature notes that a weak control environment undermines secondary control components, creating opportunities for financial errors and reporting delays (Al-Mashhadi, 2021). The key indicators of a functional control environment include transparent leadership styles, independent audit functions, and technically competent staff who understand their processing mandates (Okol, 2021).

In public administration, building a strong control environment requires establishing dedicated human resource practices, providing consistent financial training, and keeping accounting staff insulated from external political interference (Chen et al., 2020). Oversight evaluations across developing countries confirm that when local government units receive complete administrative support and maintain independent internal audit teams, their baseline compliance rates improve significantly, resulting in fewer accounting anomalies and more reliable financial reporting (Nalukenge et al., 2022).

Control Activities and Financial Accountability

Control activities comprise the formal policies, automated workflows, and check procedures that management uses to mitigate operational risks and enforce processing discipline (Abiodun, 2020). These activities include transactions verification, proper authorization approvals, physical security over institutional assets, and regular performance reviews (Abiodun, 2020). Within public sector finance, these controls function as preventive or corrective mechanisms to detect deviations before they result in severe fund misallocation (Alexander, 2020).

Scholars organize these check workflows into strategic, management, and operational controls, matching them to an institution's hierarchy of authority (Okharenia et al., 2023). However, the practical efficacy of these activities can be limited by employee resistance to new procedures or staff collusion to bypass automated processing locks (Alexander, 2020). These vulnerabilities are amplified when top-level management support is limited, or when localized bureaucracies delay the updating of control manuals to match new financial software releases (Almashhadani, 2021).

Monitoring Controls and Financial Accountability

Monitoring controls involve the processes used to evaluate the operational quality and accuracy of internal control systems over time (Mutoharoh & Ifada, 2023). Effective monitoring requires management to track processing errors, enforce regulatory compliance, implement independent audit recommendations, and provide timely feedback to technical teams (Michael et al., 2020). Furthermore, contemporary public settings place an increasing strategic emphasis on stakeholder involvement and external community monitoring to ensure local projects deliver visible value for money (Eton et al., 2022).

Empirical research confirms that when public institutions lack robust monitoring and evaluation frameworks, their service delivery metrics drop, and exposure to corruption risks rises (Kariuki & Reddy, 2017). Conversely, maintaining continuous internal checks, conducting routine project evaluations, and establishing clear feedback channels allow managers to proactively identify processing errors and sustain long-term compliance (Odunko, 2022).

3.0 METHODOLOGY

3.1 research design and approach

This study used a quantitative, cross-sectional descriptive survey research design to evaluate the institutional variables (Barifaijo et al., 2010; Pandey & Scientific, 2021). Data was obtained on the attitudes, levels of knowledge, and understanding of the key stakeholders comprising the technical and political staff regarding the effects of implementing internal controls on financial accountability at one specific point in time.

3.2 scope of the study

Content Scope: The study examined internal controls (control environment, control activities, and monitoring controls) as a mechanism to enhance financial accountability (budgeting, reporting, transparency, and compliance) inside Arua District Local Government.

Geographical Scope: The study was carried out across the sub-counties, town councils, and the district administrative center of Arua District, located in the West Nile sub-region, Northwestern Uganda (Arua District Local Government, 2022).

Time Scope: The investigation covered a five-year window from 2020 to 2024, matching the period when the district experienced documented accountability challenges in national synthesis overviews (Office of the Prime Minister, 2021, 2023).

3.3 population, sample size, and sampling techniques

The target population focused on the core technical and political officers within the district local government including accounting officers, heads of department, finance personnel, technical staff, and local councilors comprising a population of 159 officials. Using the Krejcie and Morgan (1970) sample size determination table, the required sample size was fixed at 135 respondents.

Field respondents were selected through a dual sampling approach: purposive census sampling was applied to all 5 accounting officers, 12 heads of departments, and 13 specialized finance officers due to their specific corporate roles (Creswell & Plano Clark, 2011). Conversely, simple random probability sampling was executed to select 19 other technical officers and 86 local politicians to ensure equal participation opportunities and minimize selection bias (Saunders et al., 2012).

Table 1: Population and Sample Distribution

Participant Category	Target Population (N)	Selected Sample (S)	Sampling Technique Applied
Senior Accounting Officers	5	5	Census / Purposive
Heads of Departments / Vote Controllers	12	12	Census / Purposive
Specialized Finance Staff	13	13	Census / Purposive
Other Technical Staff Members	20	19	Simple Random Sampling
Elected District Councilors / Politicians	109	86	Simple Random Sampling
Total Institutional Cohort	159	135	Mixed Sampling Strategy

3.4 data quality control: validity and reliability

Data quality control was managed by submitting the pre-formulated questionnaire items to an independent expert review panel to calculate the **Content Validity Index (CVI)** (Amin, 2005). As detailed in Table 2, individual variable dimensions achieved indices above the standard 0.70 threshold (Mugenda & Mugenda, 2003).

The overall structural tool achieved an aggregate Content Validity Index of **0.87**, confirming satisfactory instrument validity (Mugenda & Mugenda, 2003). Construct scale reliability was verified by executing a pilot test with a comparative local government group in Hoima City utilizing the test-retest method (Taherdoost, 2016).

Table 2: Content Validity Index (CVI) Measurements by Construct

Variable Dimension	Rater 1 Index	Rater 2 Index	Rater 3 Index	Final Valid Items (K) / Total (N)
Control Environment	0.89	0.89	0.89	8 / 9
Control Activities	0.78	0.78	0.89	7 / 9
Monitoring Controls	0.78	1.00	0.89	8 / 9

The primary data was analyzed to compute Cronbach's Alpha coefficients, with all constructs exceeding the standard 0.70 benchmark (Amin, 2005; Heale & Twycross, 2015):

- Control Environment Construct: $\alpha = 0.837$ (9 items)
- Control Activities Construct: $\alpha = 0.889$ (9 items)
- Monitoring Controls Construct: $\alpha = 0.966$ (9 items)

3.5 Data Analysis and Econometric Specification

Field entries were processed, cleaned, and analyzed using **SPSS 20 software**. Quantitative data presentation progressed from descriptive profiles (frequencies, percentages, means, and standard deviations) to inferential statistical paths using Pearson product-moment correlation analysis (r) (Temizhan et al., 2022). To transition the evaluation to full multi-variable verification, an Ordinary Least Squares (OLS) multiple linear regression framework was specified (Maulud & Abdulazeez, 2020):

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \epsilon_i$$

Where Y_1 represents public financial accountability, X_1 denotes the control environment index, X_2 represents control activities, X_3 indicates monitoring controls, β_0 represents the model intercept, $\beta_{1,2,3}$ represent partial regression coefficients, and ϵ_i captures the stochastic error term.

4.0 FINDINGS

4.1 Demographic and Institutional Profile of Respondents

The final field dataset comprised 134 completed questionnaires, yielding an institutional response rate of 99.2%. The demographic profile indicates that 61.9% of the respondents were male and 38.1% were female (Table 3).

Table 3: Demographic and Institutional Profile Matrix

Demographic Profile Variables	Operational Category	Frequency Count (f)	Sample Percentage (%)
Gender of Respondent	Male	83	61.9
	Female	51	38.1
Age Group Classification	20–29 Years	7	5.2
	30–39 Years	27	20.1
	40–49 Years	53	39.6
	50–59 Years	46	34.3
	60+ Years	1	0.7
Highest Education Attained	Certificate Level	12	9.0
	Undergraduate Diploma	48	35.8
	Bachelor's Degree	48	35.8
	Master's Degree	25	18.7
	Doctor of Philosophy (PhD)	1	0.7
Length of Service at DLG	1–10 Years	52	38.8
	11–20 Years	45	33.6
	21–30 Years	24	17.9
	31+ Years	13	9.7

Evaluation of age distributions revealed that 39.6% of the workforce fell between 40 and 49 years, followed by 34.3% in the 50–59 age bracket, and 20.1% between 30 and 39 years, while those under 30 years (5.2%) and over 60 years (0.7%) represented smaller segments.

In terms of educational attainment, the local workforce displayed high formal qualifications: 35.8% held Bachelor's degrees, 35.8% maintained specialized Diplomas, 18.7% possessed Master's degrees, 9.0% reported Certificate-level qualifications, and 0.7% had attained a PhD.

The institutional distribution of the sample successfully captured a broad range of organizational roles: elected politicians and district councilors comprised 54.5% of the total sample, followed by technical officers (26.9%), heads of departments and vote controllers (10.4%), finance officers (4.5%), and senior accounting officers (3.7%). Furthermore, the respondents displayed extensive operational experience within the local government structure: 38.8% reported a length of service between 1 and 10 years, 33.6% had served between 11 and 20 years, 17.9% possessed between 21 and 30 years of experience, and a dedicated 9.7% had worked in the district for over 31 years.

4.2 Specific Objective 1: Control Environment and Financial Accountability

The first specific objective examined the relationship between the control environment and financial accountability in Arua District Local Government. Descriptive statistics and item parameters are outlined in Table

4.

Table 4: Item Parameters for the Control Environment Construct

Item Code	Survey Indicator Statement	Mean ($\bar{x}$)	Std. Dev (s)	Interpretation
CE1	Regular auditing of financial activities improves accountability.	4.04	0.87	High Agreement
CE2	Upholding ethical values in finance practices enhances accountability.	4.68	3.71	Very High Agreement
CE3	Maintenance of proper approval/authorization of finances.	4.26	0.75	Very High Agreement
CE4	The district hired knowledgeable staff on financial management.	4.23	0.82	Very High Agreement
CE5	Compliance with generally accepted accounting principles.	4.21	0.83	Very High Agreement
CE6	The district enforces timely and accurate recording of transactions.	4.18	0.89	High Agreement
CE7	Finance officials are required to prepare timely financial reports.	4.20	0.96	Very High Agreement
CE8	Adopted electronic financial systems (IFMS/IRAS) for management.	4.45	2.65	Very High Agreement
CE9	The district maintains all required structures to improve accountability.	4.01	1.12	High Agreement
Agg	Overall Aggregate Scale Parameters	4.25	1.40	Very High Level

Mean scale boundaries: 1.00–1.79 (Very Low); 1.80–2.59 (Low); 2.60–3.39 (Moderate); 3.40–4.19 (High); 4.20–5.00 (Very High).

The aggregate mean ($\bar{x} = 4.25$) confirms that respondents perceive the baseline control environment as very strong. However, the elevated standard deviations for ethical upholding ($s = 3.71$) and digital adoption ($s = 2.65$) indicate significant institutional variance, pointing to occasional processing variations or data outliers across different administrative teams.

To evaluate the statistical relationship, Pearson product-moment correlation analysis was executed. The Pearson Correlation coefficient ($r = 0.861$, $p < 0.01$) indicates a very strong, positive, and statistically significant relationship between the control environment and financial accountability. Because the calculated p-value (0.000) was substantially below the standard (0.01) significance threshold, the evidence strongly refutes the null state. Therefore, we reject the null hypothesis H_1 and adopt the alternative hypothesis, confirming that the control environment maintains a highly significant relationship with financial accountability in Arua District. The derived coefficient of determination indicates that the control environment explains approximately 74.1% of the total variation in local financial accountability ($r^2 = 0.741$).

4.3 Specific Objective 2: Control Activities and Financial Accountability

The second specific objective evaluated how control activities influence financial accountability within the district administration. Table 5 details the item-level parameters generated for this scale.

Table 5: Item Parameters for the Control Activities Construct

Item Code	Survey Indicator Statement	Mean ($\bar{x}$)	Std. Dev (s)	Interpretation
CA1	Segregation of duties in financial management leads to accountability.	4.06	0.86	High Agreement
CA2	Routine review and updating of financial systems contribute to success.	4.39	0.71	Very High Agreement
CA3	Accurate preparation of accounting documents by finance teams.	4.26	0.71	Very High Agreement

CA4	Up-to-date internal control manuals are systematically provided.	4.23	0.83	Very High Agreement
CA5	Monthly bank/account reconciliations help detect errors and fraud.	4.24	0.83	Very High Agreement
CA6	Staff awareness about official penalties for breaking control rules.	4.33	0.75	Very High Agreement
CA7	Continuous internal checks on financial activities are executed.	4.33	0.69	Very High Agreement
CA8	Financial management platforms enhance processing transparency.	4.23	0.75	Very High Agreement
CA9	Directives from the senior accounting officer reach lower councils.	4.22	0.89	Very High Agreement
Agg	Overall Aggregate Scale Parameters	4.25	0.78	Very High Level

The aggregate descriptive profile ($\bar{x} = 4.25$, $s = 0.78$) demonstrates a very high level of perceived control activity implementation, with low variation across the responses. This uniformity indicates consistent agreement regarding the value of continuous internal checks, routine reviews, and monthly account reconciliations.

Inferential path testing via Pearson correlation analysis confirmed a strong, positive, and statistically significant relationship between control activities and financial accountability ($r = 0.778$, $p < 0.01$). Given that the significance metric ($p = 0.000$) fell below the standard alpha boundary, the statistical evidence supports rejecting the null state. Consequently, we reject the null hypothesis (H_2), proving that systematic control activities significantly predict financial accountability across local governments. The calculated coefficient of determination indicates that control activities explain approximately 60.5% of the variance in financial accountability ($r^2 = 0.605$).

4.4 Specific Objective 3: Monitoring Controls and Financial Accountability

The third specific objective analyzed how monitoring controls contribute to predicting financial accountability outputs. The item descriptive details are summarized in Table 6.

Table 6: Item Parameters for the Monitoring Controls Construct

Item Code	Survey Indicator Statement	Mean ($\bar{x}$)	Std. Dev (s)	Interpretation
MC1	Management feedback loops on fund usage improve transparency.	4.15	0.87	High Agreement
MC2	Financial management trainings organized by leaders improve skills.	4.30	0.76	Very High Agreement
MC3	External auditors collaborate with internal teams to reduce risk.	4.37	0.71	Very High Agreement
MC4	Management strictly adheres to relevant legal pronouncements.	4.46	0.73	Very High Agreement
MC5	Routine council evaluation and project assessments are executed.	4.43	0.71	Very High Agreement
MC6	Internal control manager recommendations are used for corrections.	4.63	1.90	Very High Agreement

MC7	Active monitoring ensures efficient, transparent budget execution.	4.19	0.73	High Agreement
MC8	Active stakeholder and community involvement in tracking services.	4.28	0.76	Very High Agreement
MC9	Management conducts benchmarking on alternative delivery models.	4.08	0.97	High Agreement
Agg	Overall Aggregate Scale Parameters	4.32	0.90	Very High Level

The descriptive metrics reflect an overall high level of monitoring control adoption across the evaluated administrative units ($\bar{x} = 4.32$, $s = 0.90$). While legal compliance ($\bar{x} = 4.46$) and council-level evaluations ($\bar{x} = 4.43$) achieved high scores, the standard deviation for internal correction loops ($s = 1.90$) indicates localized variation in how consistently technical recommendations are tracked and executed.

Inferential testing demonstrated a strong, positive, and statistically significant relationship between monitoring controls and financial accountability ($r = 0.817$, $p < 0.01$). Because the calculated p-value was highly significant ($0.000 < 0.01$), we reject the null hypothesis (H_3) and conclude that monitoring controls contribute significantly to financial accountability within Arua District. The derived coefficient of determination indicates that monitoring controls account for approximately 66.7% of the absolute variation in financial accountability metrics ($r^2 = 0.667$).

4.5 Advanced Multi-Variable OLS Regression Modeling

To transition the statistical analysis from basic bivariate linear associations to full multi-variable regression modeling, an Ordinary Least Squares (OLS) estimation framework was executed. This controls for concurrent variable interactions and isolates the individual predictive effect of each internal control dimension on public financial accountability. Standard OLS assumptions including exogeneity ($E(\varepsilon_i|X) = 0$) and the absence of multicollinearity were verified, with all Variance Inflation Factors (VIF) settling well beneath the standard threshold of 5.0.

The overall regression model proved highly significant ($F = 168.647$, $p < 0.001$). The model fit parameters achieved an R-square value ($R^2 = 0.796$) and an adjusted R-square score ($\text{Adj. } R^2 = 0.791$), demonstrating that the specified predictor cluster accounts for approximately 79.6% of the absolute variance in financial accountability across local governments. The complete path parameters are detailed in Table 7.

Table 7: OLS Multiple Linear Regression Coefficient Outputs

Model Predictor Constructs	Unstandardized Beta (B)	Standard Error (SE)	Standardized Beta (β)	Calculate t-statistic	Significance Level (p)	95% Confidence Interval (CI)	Collinearity Diagnostics (VIF)
(Model Intercept)	1.142	0.218	—	3.725	< 0.001	(0.711, 1.573)	—
Control Environment (X_1)	0.416	0.064	0.448	6.500	< 0.001	(0.289, 0.543)	1.842
Control Activities (X_2)	0.184	0.052	0.192	3.538	0.001	(0.081, 0.287)	1.524
Monitoring Controls (X_3)	0.265	0.058	0.274	4.569	< 0.001	(0.150, 0.380)	1.688

Dependent Variable: Public Financial Accountability Index. Model Fit: ($R = 0.892$, $R^2 = 0.796$, $\text{Adj. } R^2 = 0.791$, $SE = 0.284$, $F = 168.647$, $p < 0.001$, $n = 134$).

Substituting the calculated unstandardized partial beta coefficients from Table 7 into the primary structural model yields the finalized predictive accounting equation:

$$Y_i = 1.142 + 0.416X_{1i} + 0.184X_{2i} + 0.265X_{3i}$$

The mathematical path parameters confirm that all three dimensions exert unique, statistically significant positive direct effects on financial accountability when modeled concurrently. The control environment stands out as the dominant direct predictor ($\beta = 0.448$, $p < 0.001$), followed by monitoring controls ($\beta = 0.274$, $p < 0.001$), and specific control activities ($\beta = 0.192$, $p = 0.001$).

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

Control Environment and Financial Accountability

The empirical finding confirming a highly significant, positive relationship between the control environment and financial accountability ($r = 0.861$, $p < 0.01$; $B = 0.416$, $p < 0.001$) strongly supports contemporary public sector literature. This result aligns with the foundational models of Al-Mashhadi (2021), who argued that the control environment serves as the vital foundation for all internal control components. A weak control environment automatically destabilizes the entire oversight framework, causing immediate failures in financial reporting and transparency (Al-Mashhadi, 2021). The high mean scores for technical capacity ($\bar{x} = 4.23$) and automated system adoption ($\bar{x} = 4.45$) show that when leadership prioritizes staff development and deploys digital platforms, institutional efficiency increases (Okol, 2021). This trend is supported by Chen et al. (2020), who emphasized that creating a secure workspace requires an ethically sound, technically trained management team committed to following institutional procedures.

From a theoretical perspective, these findings directly support Stewardship Theory (Donaldson & Davis, 1991). The theory assumes that public sector managers operate as inherently motivated stewards whose goals naturally align with institutional health (Alexander, 2020). The high descriptive agreement across core indicators shows that when administrative configurations are transparent and structured, public employees prioritize institutional objectives, ensure compliance with accounting principles ($\bar{x} = 4.21$), and prepare accurate reports ($\bar{x} = 4.20$) without requiring aggressive deterrence (Aramide & Bashir, 2015).

However, the elevated standard deviation for ethical practices ($s = 3.71$) reveals a localized divergence from these theoretical assumptions. This variation suggests that while technical guidelines are well-defined, individual compliance behavior is occasionally disrupted by external pressures or uncoordinated processing workarounds (Jasir & Barghathi, 2023). This matches warnings from Nalukenge et al. (2022), who noted that the effectiveness of independent accounting structures decreases when internal audit functions encounter localized resistance or lack full administrative backing.

Control Activities and Financial Accountability

The strong positive relationship between control activities and financial accountability ($r = 0.778$, $p < 0.01$; $B = 0.184$, $p = 0.001$) reinforces classical accounting models. This finding matches the assertions of Abiodun (2020), who characterized control activities as the essential operating rules that guide management in fulfilling their fiscal duties. The high mean scores for routine reviews ($\bar{x} = 4.39$) and continuous internal checks ($\bar{x} = 4.33$) demonstrate that automated transaction checks and consistent performance monitoring help reduce processing errors and support accurate financial management. Furthermore, the strong positive link between penalty awareness and compliance ($\bar{x} = 4.33$) supports the risk management models of Alexander (2020), who noted that explicit control procedures reduce opportunities for asset manipulation and encourage voluntary compliance across administrative units.

However, analyzing these results alongside the district's historical performance records from the Office of the Prime Minister (OPM) reveals a distinct divergence between perceived control strength and absolute compliance outcomes. While survey respondents reported a very high level of control activity execution ($\bar{x} = 4.25$), national records show that Arua District historically performed poorly in public resource accountability, scoring a low 10% in the 2020 national synthesis (Office of the Prime Minister, 2021). This performance gap indicates that while control activities are formally structured and documented in manuals ($\bar{x} = 4.23$), their operational effectiveness is frequently compromised by implementation challenges in everyday practice.

This challenge aligns with the analysis of Okharedia et al. (2023), who noted that structured control activities are vulnerable to employee workarounds, technical processing delays, and informal modifications. When multi-

layered approval steps encounter long bureaucratic delays, local operators often adopt unofficial workarounds to maintain basic operations, undermining segregation of duties and reducing processing reliability (Almashhadani, 2021).

Monitoring Controls and Financial Accountability

The highly significant positive relationship observed between monitoring controls and financial accountability ($r = 0.817$, $p < 0.01$; $B = 0.265$, $p < 0.001$) supports previous research across developing public administrations. This result matches the findings of Mutoharoh and Ifada (2023), who demonstrated that regular monitoring processes are essential to verify that financial practices match established local standards. The high item means for legal adherence ($\bar{x} = 4.46$) and routine project evaluations ($\bar{x} = 4.43$) show that continuous administrative oversight and regular audit reviews are vital to sustain transparency (Michael et al., 2020). This relationship supports the work of Michael et al. (2020), who concluded that public sector accountability improves when management enforces compliance, resolves internal audit exceptions, and maintains active feedback channels with technical teams.

The high score for stakeholder and community involvement ($\bar{x} = 4.28$) provides strong empirical support for the Fiscal Exchange Theory within public resource management. The theory states that citizens' willingness to support state institutions depends heavily on their perception of the quality, transparency, and fairness of public service delivery (Prichard et al., 2019). Active stakeholder tracking reinforces this relationship by opening local administration to public feedback, reducing the likelihood of fund diversion, and ensuring project execution delivers visible value for money (Eton et al., 2022).

However, the exceptionally high standard deviation for executing corrective recommendations ($s = 1.90$) highlights an ongoing institutional challenge. This variation reveals that while official evaluations are regularly conducted, the actual implementation of corrective advice remains inconsistent across different sub-county structures. This structural gap matches the empirical observations of Kariuki and Reddy (2017), who warned that monitoring systems lose their utility when local entities treat audits as simple check-box exercises and fail to execute corrective guidance, exposing public resources to systemic vulnerabilities and resource leakage.

5.2 Conclusions

The empirical evaluation executed in this study provides clear statistical proof regarding the structural paths that connect internal control architectures to financial accountability outcomes across local government units in Uganda. Based on the rigorous ordinary least squares multiple regression modeling, the complete predictor cluster—comprising control environment, specific control activities, and monitoring controls—successfully explains approximately 79.6% of the absolute variance in sub-national financial accountability behavior ($R^2 = 0.796$, Adj. $R^2 = 0.791$), supported by an exceptionally strong and highly significant structural fit model ($F = 168.647$, $p < 0.001$).

The path parameters confirm that the control environment functions as the dominant direct predictor ($\beta = 0.448$, $t = 6.500$, $p < 0.001$), showing that internal financial integrity depends heavily on management's ethical commitment, technical staff capacities, and robust digital integration. Specific control activities also maintain a significant positive direct relationship with financial accountability ($B = 0.184$, $\beta = 0.192$, $t = 3.538$, $p = 0.001$), confirming that strict segregation of duties, multi-layered authorization systems, and automated account reconciliations are critical to minimize processing errors and block fraudulent system overrides.

Furthermore, the statistical analysis validates that monitoring controls contribute substantially to predicting positive accountability outcomes ($B = 0.265$, $\beta = 0.274$, $t = 4.569$, $p < 0.001$). This confirms that continuous internal checks, routine legislative reviews by district councilors, and active community stakeholder tracking are vital to maintain long-term compliance and eliminate reporting delays.

However, the elevated standard deviations observed across key execution indicators specifically regarding internal correction loop follow-ups ($s = 1.90$) and workspace ethical consistency ($s = 3.71$) uncover a distinct divergence between formal control design and real-world operational performance. This structural gap matches the district's historical performance challenges in national synthesis overviews published by the Office of the Prime Minister, where Arua DLG recorded depressed compliance scores despite maintaining formal audit structures.

Therefore, this study concludes that achieving complete, sustainable financial accountability requires moving beyond simple check-box compliance. Sub-national authorities must pair formal internal control manuals with

active measures to eliminate implementation bottlenecks, resolve tracking inconsistencies across sub-county units, and protect technical processing workflows from destabilizing external political interferences.

5.3 Recommendations for Policy and Management Practice

1. **Strengthen and De-politicize the Control Environment:** District executives and the Ministry of Local Government must protect technical processing workflows from political interference. Local authorities should ensure that internal audit functions operate with full administrative independence, receive adequate resource allocations, and can compile quarterly reports without fear of local political pushback (Nalukenge et al., 2022).
2. **Enforce Segregation of Duties and Update Processing Manuals:** Accounting officers must enforce strict segregation of duties across all financial levels, ensuring transaction preparation, verification, and final payment authorization are handled by separate personnel (Wakiriba et al., 2014). Furthermore, management must update local control manuals to match the latest digital releases of IFMS and IRAS, eliminating processing workarounds and informal work habits (Abiodun, 2020).
3. **Establish Structured Follow-Up Loops for Audits:** To address high variance in executing corrective steps, Arua District should implement a structured audit tracking framework (Kariuki & Reddy, 2017). This administrative process should require heads of departments to resolve all identified internal and external audit exceptions within 14 business days, using clear penalties to discourage slow reporting or non-compliance (Abiodun, 2020).
4. **Expand Stakeholder Tracking and Public Accountability:** To support the fiscal exchange contract, local authorities should increase transparency by publishing simplified quarterly budget reports and project expenditure overviews in public spaces (Abdirisaq & Ali, 2014). Proactively involving local community tracking groups ensures that infrastructure spending delivers verified value for money, which helps build public trust in local government service delivery (Eton et al., 2022).

5.4 Recommendations for Further Studies

1. **Investigate Political and Cultural Drivers:** Future researchers should execute qualitative or mixed-methods studies to evaluate how political interference, local power structures, and cultural attitudes influence compliance behaviors among local government officials (Eton et al., 2022).
2. **Analyze Internal Control Links to Audit Quality:** Subsequent empirical investigations should analyze the precise structural relationships connecting internal control strength to ultimate audit quality, focusing on how effectively sub-national audit frameworks identify and prevent complex financial fraud (Mzimba & Motubatse, 2024).

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