

**Internal Auditing and Financial Accountability in Local Governments. A Case Study of Lira District
Local Government
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ABSTRACT

The study aimed at investigating the effect of internal audit on financial accountability in Lira District local government. The specific objectives of the study were: To establish the effect of compliance audit on Financial Accountability in Lira District Local government, to assess the impact of Operational audit on Financial Accountability in Lira District local government and to establish the effect of financial audit on Financial Accountability in Lira District local government. The study was guided by policemen theory which asserts that the auditor is responsible for searching, discovering and preventing any fraudulent activity and the credibility theory that suggests that adding credibility to financial statements being an integral part of auditing, making it a fundamental service auditors provide to clients, The study employed a cross sectional design using a mixed method with a population 80 participants and a sample size of 65 participants. Quantitative and quantitative data were obtained by use of questionnaire and interview guide respectively. Quantitative data was analyzed using SPSS in terms of Mean and standard deviation and qualitative data was thematically analyzed. The key findings from the study in relation to the objectives showed that internal auditing really plays an important role in financial accountability with an adjusted R of 0.239 representing the gap between Operational auditing and financial accountability, an adjusted R² of 0.047 which means that about 4.7 % of the variation in financial Accountability can be explained by compliance auditing and an adjusted of 0.323 which means that about 32.3% of the variation in financial Accountability can be explained by financial Auditing. Internal Auditing plays a very important role on ensuring sufficient financial accountability and provision of services to the population in a proper and accountable manner and based on the study recommendations are made for auditing to be done on interim basis.

Keywords: *Internal Auditing, Financial Accountability, Local Governments*

