

Financial management and public accountability in local governments in Uganda: A case of Bukedea district local government.

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Abstract

The purpose of the study was to establish the effect of financial management on public accountability in Bukedea district local government. We did a survey and data was collected from a sample of 73 respondents. Regression analysis was employed in order to establish the effect between the variables that were studied. Findings indicated that financial planning and financial controls have positive significant effect on public accountability. We concluded that good financial management leads easy public accountability by public officers to the citizens, and such accountability is manifested in the service delivery.

Key words: Financial management, Budgeting, Financial control, Accountability

1. Introduction

Financial management is that managerial activity which is concerned with the planning and controlling of the organization's financial resources. Financial management is one of the important parts of overall management, which is directly related with various functional departments. Strong Public Financial Management (PFM) systems are essential for effective and sustainable economic management and public service delivery. States are effective and accountable when they are underpinned by good PFM institutions and systems.

Good PFM systems are also indispensable in ensuring that aid is being used to achieve development goals [9]. Thus, [1] view public financial management as an area that focuses on the prioritization and use of scarce resources, on ensuring effective utilization of public resources, and on attaining value for money in meeting the objectives of Government and in particular delivering services to the people.

Public financial management practices are a collection of sufficient resources from the economy in an appropriate manner along with allocating and use of these resources efficiently and effectively. The practices include resource generation, resource allocation, and expenditure and resource utilization [3].

Public accountability is the transparenence envisaged in individual and collective action of responsibility. It involves identifying individual's responsibility for actions. It can be seen as the end point of a participative and transparent process. Public accountability is a parameter of performance.

Governments are responsible to their citizens and taxpayers for implementing effective systems of public financial management and for utilizing those systems to safeguard, and ultimately enhance, a country's economic sovereignty [8]. According to [5] almost all countries, both

developed and developing, have put in place various instruments of accountability.

Public accountability is both an instrument and a goal. What started as an instrument to enhance the effectiveness and efficiency of public governance, has gradually become a goal in itself. Nowadays, accountability has become a good thing, of which it seems we cannot have enough [10].

The Constitution of the republic of Uganda and the Local Governments Act allowed Local Governments to collect revenue from a number of specified sources formulate plans and budgets, allocate expenditure, and make investments in a wide range of services. Local Governments finance their recurrent budgets from local revenue and transfers in form of unconditional grants. Due to the small revenue base, Local Governments are unable to balance their budgets and realize a surplus to fund development activities. The development budgets of Local Governments are invariably funded with conditional and equalization grants, a large proportion of which comes from external donors [11]

2. Budgeting and accountability

A budget is a financial plan that serves as an estimate of future operations, and, to some extent, as a means of control over those operations. The budget of Government is the operational plan that it presents to indicate how it will use financial resources to deliver services to the people. [4] Did a study to determine the relationship between corporate budget planning, control and performance evaluation in Bahrain. Their findings indicated that there is a strong positive relationship between budget planning, budget emphasis and management performance. [2] Notes that overall financial

accountability is done through preparation and council approval of monthly, Quarterly and annual performance reports. All statements must be validated by production of documentary evidence of money received and money spent. The key challenge has been failure to ensure evidenced accountability although is not adequate, any paper evidence must be supported by monitoring reports and physical assets and other forms of outputs and outcomes.

Accountability is a stewardship role that requires officers and leaders to explain how the resources were used and to show justification for such usage. The peoples' mandate is assumed to be given by the vote and approval of a manifesto. The PFM Act of Uganda under section 2 is more specific on this purpose. The focus on accountability is further made under PFM Act of Uganda section 11(g) and s 12(2), an accounting officer who fails to account for a financial year will be suspended until necessary steps to do so have been undertaken. Accountability is a responsibility of the accounting officer personally. [7] in reaction to a perceived lack of trust in government, there is an urge for more direct and explicit accountability relations between public agencies on the one hand and clients, citizens and civil society on the other hand

3. Financial Control and Accountability

Financial control is another important element of financial planning which aims at ensuring that the organization is meeting its goals. Effective control and accountability must be maintained for all cash, real and personal property, and other and must assure that it is used solely for authorized purposes. Management is

responsible for establishing and maintaining an effective system of internal control.

[12] Observe that good internal control ensures effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Internal control can help an entity achieve its performance and profitability targets, and prevent loss of resources. It can help ensure reliable financial reporting. And it can help ensure that the enterprise complies with laws and regulations, avoiding damage to its reputation and other consequences.

The accounting system consists of the methods and records established to identify, assemble, analyze, classify, record, and report an entity's transactions and to maintain accountability for the related assets and liabilities. Control procedures are those policies and procedures, in addition to the control environment and accounting system that management has established to provide reasonable assurance that specific entity objectives will be achieved.

4. Methodology

A descriptive survey design was

Table 1: Model Summary of regression between financial planning and public accountability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig
1	.797 ^a	.635	.629	.44458	.000

From the model summary of regression in table 1, the findings show that financial planning significantly influence public accountability at $R^2 = 0.635$

employed with a sample of 73 respondents from Bukedea district local government. Closed ended questionnaires were used to collect data from the field, this type of questionnaires were preferred because they allow for collection of data on specific statements that measure the variables being studied. The instruments were well tested for validity and reliability before being administered. [6] Observe that descriptive research design is a type of research method that is used when one wants to get information on the current status of a person or an object and can answer research questions. Ordinal data was collected, however, using a 5-point likert scale data was transformed into numerical data, thus enabling the use of descriptive design. The mean values obtained through descriptive statistics, were the used in the regression analysis.

5. Results

The results in this study were obtained by analyzing data using linear regression in order to find the effect of the independent variables on the dependent variable

($p=0.000$). This confirms that there was a significant effect between financial planning and public accountability in Bukedea District Local Government. The results

meant that financial planning contributes about 63.5% to public accountability in Bukedea District Local Government. This means financial planning is a good predictor of public accountability.

The coefficient of regression analysis between financial planning and public accountability was carried out to get the t-test for judging the significance between the two items. The results are shown in table 2.

Table 2 Coefficients of regression

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	Constant	.839	.280		2.992	.004		
	Financial planning	.818	.076	.797	10.763	.000	1.000	1.000

a. Dependent Variable: public accountability

The results from the coefficients table 2 for the regression coefficients for the construct under the independent variable (financial planning) yielded the following betas: 0.797 with a $P > 0.05$ (that is a sig. value of 0.000) which indicates that financial planning is a strong contributor to

public accountability. Hence a 100% change in financial planning would positively influence public accountability by 81.8% (Beta = 0.818) and the relationship was significant because the P value obtained was less than 0.05 ($P = 0.000$).

Table 3. Model Summary of regression between financial controls on public accountability

Model	R	R Square	Adjusted R Square	Std. Error
1	.866 ^a	.749	.745	.36851

From the model summary of regression in table 3, the findings show that financial control significantly affect public accountability at $R^2 = 0.749$ (sig-value = 0.000). These results indicated a significant effect of financial control on public accountability in Bukedea District Local Government. The results suggest that

financial control contributes about 74.9% to public accountability in Bukedea District Local Government.

Finally a coefficient of regression analysis between financial planning and public accountability was carried out to get the coefficient of contribution for judging

the significance between the two items. The

results are shown in table 4.

Table 4 Coefficients of regression analysis between financial control and public accountability

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.999	.204		4.905	.000		
	financial control	.757	.054	.866	14.019	.000	1.000	1.000

a. Dependent Variable: public accountability

The results from the coefficients table for the regression coefficients for financial control under the independent variable yielded the following betas: 0.757 with a sig-value < 0.05 which indicates that financial control is a strong contributor to public accountability. Hence a unit change in financial planning would positively influence public accountability by 75.7% (Beta = 0.757) and the effect was significant because the P value obtained was less than 0.05 (sig-value = 0.000).

6. Conclusion

Financial planning which was conceptualized as budgeting and financial controls are significant predictors of public accountability in local governments. Each variable significantly affect public accountability. This could therefore suggest that if public officers in local governments want to enhance public accountability, they should put more emphasis on good financial planning which is particularly seen through effective budgeting and good financial

controls. If these two aspects are effective handled, public accountability becomes easy and the citizens can easily see value for money in the services offered by the local government.

7. References

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