Tumwebaze, Zainabu; Mukyala, Veronica; Ssekiziyivu, Bob; Tirisa, Caroline Bonareri; Tumwebonire, Ashim

Article
Corporate governance, internal audit function and accountability in statutory corporations

Cogent Business & Management

Provided in Cooperation with:
Taylor & Francis Group

Suggested Citation: Tumwebaze, Zainabu; Mukyala, Veronica; Ssekiziyivu, Bob; Tirisa, Caroline Bonareri; Tumwebonire, Ashim (2018) : Corporate governance, internal audit function and accountability in statutory corporations, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 5, http://dx.doi.org/10.1080/23311975.2018.1527054

This Version is available at:
http://hdl.handle.net/10419/206121

Terms of use:
Documents in EconStor may be saved and copied for your personal and scholarly purposes.
You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.
If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

https://creativecommons.org/licenses/by/4.0/
Abstract: The purpose of this study was to establish the contribution of corporate governance and internal audit function on accountability in statutory corporations. This study is cross sectional and correlational. Data were collected through a questionnaire survey of 66 corporations. Data were analysed using Statistical Package for Social Sciences. Correlation results indicate a positive association between corporate governance and accountability as well as internal audit function and accountability while regression results indicate that only internal audit function is a significant predictor of accountability. The regression model shows that both internal audit function and corporate governance predict 36.2% of the variance in accountability of statutory corporations. This study is relevant to policy makers in terms of ensuring strong policies are in place to manage risks and to make sure that there are effective internal controls for better accountability in these enterprises.

ABOUT THE AUTHORS

Zainabu Tumwebaze is a Lecturer, Makerere University Business School. She holds a degree of Master of Science in Accounting and Finance of Makerere University. She is a member of the Institute of Certified Public Accountants of Uganda and her research interests are in the areas of Corporate Governance and Finance.

Veronica Mukyala is a PhD student at Moi University, Kenya. She is a Lecturer, Makerere University Business School.

Bob Ssekiziyivu is a Lecturer, Department of Business Administration Makerere University Business School. He holds a degree of Master of Business Administration of Makerere University Kampala, Uganda.

Caroline Bonareti Tirisa is a Lecturer, Makerere University Business School. She is a member of the Institute of Certified Public Accountants of Uganda and her research interests are in the areas of Corporate Governance.

Ashim Tumwebonire is the Internal Audit Manager, Posta Uganda. He holds a degree of Master of Science in Accounting and Finance of Makerere University. He is a full member of the Institute of Certified Public Accountants of Uganda.

PUBLIC INTEREST STATEMENT

Statutory corporations are government entities of specialized nature providing services to the citizens. In Uganda, accountability failures have been cited by the country's Auditor General for quite some time. This means that, it is important that a suitable mechanism for improving accountability is put in place. Accountability failures have an impact on service delivery since taxpayers may not be willing to pay taxes in the event that they are not satisfied with accountabilities provided for the previous monies. To ensure accountability in Government, both the tax payers and the government must join hands. Government needs to strengthen internal audit and the people being audited must provide all the necessary information at all times to the auditors. The most core services needed by the public include schools, hospitals, security and roads. It is not only all about providing services but also showing the details of how much money was spent and on which items.
as possible explanations of accountability, this study only confirms internal audit function as a significant predictor of accountability.

Subjects: Political Economy; Business, Management and Accounting; Accounting; Corporate Governance

Keywords: accountability; corporate governance; internal audit function; statutory corporations; Uganda

1. Introduction

The purpose of this study was to establish the contribution of corporate governance and internal audit function on accountability in statutory corporations. A number of studies on accountability have been undertaken in both developing and developed nations with majority calling for further studies (see Bakalikwira, Bananuka., Kaawaase., Musimenta., & Mukyala., 2017; Yasmin & Haniffa, 2017). Globally, accountability has become a crucial topic and this has made all managers of statutory corporations (or sometimes known as state owned enterprises in other jurisdictions) to be conscious about their spending and providing how the public finances have been spent. Accountability failures are evident in many jurisdictions for example, Uganda’s Auditor General has continuously lamented accountability failures in the country (Bananuka, Nkundabanyanga, Nalukenge, & Kaawaase., 2018). Various philosophies underlie accountability according to Barton (2006) and these are; accounting for, reporting on, explaining and justifying activities, and accepting responsibility for the outcomes. According to Bananuka et al. (2018), accountability can better be observed through provision of tangible evidence of work done or visibility of service delivery, financial reporting or simply record keeping. Bananuka et al. (2018) results further indicate that provision of tangible output or visibility of activities is the strongest way of providing accountability of public resources to the resources providers.

Accountability has been defined by various scholars in several jurisdictions for example, Nkundabanyanga (2007) defines accountability as the obligation to demonstrate and take responsibility for performance in light of agreed expectations. Nkundabanyanga (2007) and Mukyala, Bananuka, Basuuta, Tumwebaze, and Bakalikwira (2017) further define accountability in Uganda’s public sector as the process of reporting on how appropriated funds have been utilized. According

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>Male</td>
<td>44</td>
<td>66.7</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>22</td>
<td>33.3</td>
</tr>
<tr>
<td>Age group</td>
<td>Below 25</td>
<td>4</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>25-34</td>
<td>29</td>
<td>43.9</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>28</td>
<td>42.4</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>5</td>
<td>7.6</td>
</tr>
<tr>
<td>Education level</td>
<td>Certificate</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>23</td>
<td>34.8</td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>27</td>
<td>40.9</td>
</tr>
<tr>
<td></td>
<td>Masters and above</td>
<td>14</td>
<td>21.2</td>
</tr>
<tr>
<td>Working experience</td>
<td>less than 1</td>
<td>5</td>
<td>7.6</td>
</tr>
<tr>
<td></td>
<td>1-5</td>
<td>47</td>
<td>71.2</td>
</tr>
<tr>
<td></td>
<td>6-10</td>
<td>10</td>
<td>15.2</td>
</tr>
<tr>
<td></td>
<td>10 and above</td>
<td>4</td>
<td>6.1</td>
</tr>
</tbody>
</table>

Source: Primary data
to Elia (2005) accountability refers to the obligation on the part of public officials to report on the usage of public resources and answerability for failing to meet stated performance objectives. In leadership roles, accountability is the acknowledgment and assumption of responsibility for actions, products, decisions, and policies including the administration, governance, and implementation within the scope of the role or employment position and encompassing the obligation to report explain and be answerable for resulting consequences. We thus define accountability as the obligation of those entrusted with resources to provide information on how the resources entrusted with them have been utilized. Accountability involves two distinct stages, namely; answerability and enforcement (World Bank, 2004). Answerability refers to the obligation of organizational or public officials to provide information about their decisions and actions and to justify them to their clientele and those institutions of accountability tasked with providing oversight. Enforcement is about the capacity of accounting agencies or organizations to impose sanctions on power-holders who have violated their public duties. Most government accountability methods have been limited to external control methods aimed at securing compliance in the legal, political and hierarchical dimensions (Dicke & Ott, 2002).

Prior studies suggest various explanations of variances in accountability for example; Bakalikwira et al. (2017) found that managerial competencies are a significant predictor of accountability within a healthcare system. Mukyala et al. (2017) found that internal controls and managerial competencies are significant predictors of accountability in local government authorities. Further, Bananuka et al. (2018) documents that audit committee effectiveness and internal audit function are significant predictors of accountability of statutory corporations. Whereas there are a number of studies on accountability in developing countries, no study has attempted to establish the contribution of corporate governance and internal audit function to accountability in statutory corporations for example, only Bananuka et al. (2018) has conducted a study using two corporate attributes of audit committee effectiveness and internal audit function as predictors of accountability in the Ugandan statutory corporations while the present study utilizes board size, board independence, board composition and audit committees. Corporate governance is a system by which business corporations are directed and controlled (King, 2006; Nkundabanyanga, Ahiauzu, Seijaaka, & Ntayi, 2013; Ssekiziyiivu, Mwesigwa, Bananuka, & Tumwebaze, 2018) described corporate governance as a manner of directing and controlling the affairs of a corporate entity. Internal audit is a long-standing function and an effective tool of management in many organizations. It has been recognized as a major component of organizations in both the public and private sectors and in most industries for many years. In this study, we aim to establish the contribution of corporate governance and internal audit function on accountability in statutory corporations. This is achieved through a questionnaire survey of chief finance officers and chief audit executives of statutory corporations in Uganda. Whereas correlation results indicate a positive association between corporate governance and accountability as well as internal audit function and accountability, regression results indicate that only internal audit function is a significant predictor of accountability.

This study is motivated by the need to provide the link between the internal audit function, corporate governance and accountability in the public sector since existing literature has neglected this important area. Second, the research is driven by the need to recommend policy for the improvement of accountability in the public sector. This is because the AG reports (2011–2014) have over the past four years lamented accountability failures in the public sector.

The rest of the paper is organized as follows: The next section is literature review and hypothesis development. Methodology follows next and then results and discussion. The last section is summary and conclusion.

2. Literature review
Recently, accountability has become an important topic in the discussion about the legitimacy of international institutions. Because there is no global democracy to which organizations must account, global administrative bodies are often criticized as having large accountability gaps.
One paradigmatic problem arising in the global context is that of institutions such as the World Bank and the International Monetary Fund who are founded and supported by wealthy nations and provide aid, in the form of grants and loans, to developing nations.

There are a number of dimensions of accountability of public officials. Stewart (1984) set these dimensions inform of a ladder which runs from accountability by standards to accountability by judgment. In Stewart’s ladder of accountability, there are five steps which translate into five dimensions of accountability. In the first three steps where public officials are required to demonstrate their compliance with statutes while observing recognized prudent practices, there is financial accountability—which is the major focus of this study, process accountability and performance accountability. The last two steps include programme accountability and policy accountability. Accountability should reflect the traditional financial information in addition to output (Dunne, 2013; Stewart, 1984). Financial accountability in the public sector is seen to mean visibility of activities (physical output), record keeping and financial reports/annual accounts (Minja, 2013; Nyamori, 2009; Porter, 2009; Rob, Bebington, & Collison, 2006). To accomplish the objective of financial accountability, FASB (2006) postulates that financial reporting and accounting should communicate information about an entity’s financial position as reflected by assets and liabilities, transactions and other events and circumstances that change them in terms of financial performance and cash flows.

2.1. Corporate governance and accountability

The origins of modern corporate governance can be traced back to a point in time when the role of managing an entity got separated from the ownership and is premised on the Agency—Principal theory (Fisher, 2004). In their study on governance and accountability in Australian charitable organisations, Dellaportas, Langton, and West (2012) document that the public is entitled to receive high quality financial disclosures from charities. In their guest editorial, Grossi, Papenfuß, and Tremblay (2015) note that corporate governance, accounting and accountability of SOEs are crucial and growing topics in public management and other research disciplines. The authors further document that Public service provision and budget consolidation cannot be realized effectively and efficiently without powerful governance and management of SOEs. Studies that link corporate governance and accountability are evident though not common in Uganda—a developing. Previous scholars document a positive association between audit committee effectiveness and accountability in Ugandan statutory corporations (see Bananuka et al., 2018) while other scholars provide evidence on the positive and significant association between corporate governance and internal controls over financial reporting in Microfinance institutions (see Nalukenge, Tauringana, & Ntayi, 2017). Gedajlovic et al., (2004) extend an agency perspective on governance to suggest that particular blend of incentives, authority relations and norms of legitimacy in founder firms interacts with the external environment to affect the nature and pace of learning and capability development. Corporate governance deals with how the shareholders (principals) incentivize management (agents) to effectively align management goals with shareholder goals, and also to ensure that there was adequate information flow to enable proper monitoring and control of management actions (Millson & Ward, 2005).

The standards of corporate governance therefore are determined by the measures, which companies take for them to improve the way they are directed and controlled, and by the legal, financial, and ethical environment in which they work (Cadbury, 2003). Where there is inadequate accountability, resources will be used inefficiently and ineffectively; thus, inadequate accountability can result in devastating consequences for millions of people and compromising the operations of an organization (Eikenberry & Kluer, 2004). Accountability is an obligation to present an account of and an answer for the execution of responsibilities to those who entrusted those responsibilities, the principal/agent relationship (Eikenberry & Kluer, 2004). Accountability forms the basis of the trust in organizations, so when accountability relationships are undermined then our trust in organizations is damaged.
2.2. Internal audit function and accountability

Internal audit is a long-standing function and an effective tool of management in many organizations. It has been recognized as a major component of organizations in both the public and private sectors and in most industries for many years. The internal audit function is not limited to the operation of any particular function within an organization. Rather, it is all-embracing and accordingly is structured in the organization as a separate entity responsible only to a high level of management. As Okezie (2004) puts it, the main objective of internal auditing is “to assist management in the effective discharge of their responsibilities by furnishing them with analysis, appraisal, recommendations and pertinent comments concerning the activities reviewed”. Carcello, Hermanson, and Raghunandan (2005) and Farber (2005), observed that the objective of internal audit function is to improve on the effectiveness of risk management, control and governance. Nestor (2004) observed that internal audit function is taken to be an important governance tool to protect corporations from internal criminal behaviour.

According to Bananuka, Mukyala, and Nalukenge (2017), internal auditors in Uganda perceive their roles as: reporting on the system for generating financial information and on the reliability of financial statements; conducting periodic reviews to confirm whether management complies with all applicable legislation and regulation; review of whether management ensures company objectives are met; evaluating means of safeguarding company assets and also verifying their existence; evaluating operating effectiveness of governance structures and processes and, supporting the audit committee in its oversight functions. In purely the public sector, internal auditors are expected to evaluate the effectiveness of internal controls, participate in risk management and give an assurance on the effectiveness and efficiency of the operations of the entity (Public Finance Management Act, 2015). It is important to note that once employees receive the necessary training and are engaged on a number of activities, their performance improves (Sendawula, Nakyije, Bananuka, & Najjemba, 2018) and in terms of accountability, then it will be achieved.

Internal audit function can enhance accountability according to the studies by Badara and Siti (2012), Alzeban and Sawan(2013), Agumas (2015), Bananuka et al. (2018)—the above studies found that a functioning internal audit promotes accountability. Further, the professional literature document that internal audit function is a vital tool in fraud detection when assets are misappropriated by employees or outsiders (Carcello et al., 2005). An enterprise’s Internal Audit Function can significantly affect the operations of the enterprise and may have an impact on the ability of the entity to remain a going-concern (Okezie, 2004). According to Hayes, Dassen, Schilder, & Wallage, 2005; Managers need regular financial reports so as to make informed decisions. Reporting (particularly financial reports) is one way through which managers make accountability for the resources entrusted to them. Emasu (2007) asserts that Accountability can be political, social or financial accountability. Whittington & Pany (2001), talk about the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations. They further note that “Internal control also includes the program for preparing, verifying and distributing to the various levels of management those current reports and analyses that enable executives to maintain control over the variety of activities and functions that are performed in a large organization”.

3. Methodology

3.1. Research design, population and sample
The study adopted a cross sectional survey design. The study population included 119 Uganda’s state owned enterprises. The list of the enterprises was obtained from the abstract of Public Enterprises Reform and Divestiture Act (2000).The sample size of 92 states owned Enterprises was determined using table for sample size determination of Krejcie and Morgan (1970). Stratification/stratified sampling technique was used, different classes were the strata and from each stratum enterprises were selected using simple random sampling. Out of 92 State-Owned
Enterprises, questionnaires were obtained only from 66 entities counting for a response rate of 71.7%. Majority of the respondents were males (66.7%). This indicates that statutory corporations employed more of male than female and most respondents were aged between 25 and 34 years representing 49% followed by those aged between 35 and 44 (42.4%) and about 71.2% of the respondents had served the corporation for more than one financial year implying that there was maturity in interpreting and answering the questionnaire. Considering the level of education, the majority of the respondents, (40.9%) were degree holders followed by diploma holders (21.2%), masters' degree (6.4%) while certificate holders were 3.0% (see Table I).

3.2. The questionnaire and measurement of variables
Primary data was obtained from the selected stated owned Enterprises using self-administered questionnaire consisting of close ended questions. The questionnaire was designed on a five (5) point Likert scale ranging from 1-strongly agree to 5-Strongly disagree. The questionnaire was designed based on the review of existing literature on corporate governance, internal audit function and accountability. Corporate governance was measured using Board independence, Board size, Board composition and Audit committees (Nalukenge et al., 2017; Ssekiziyivu et al., 2018; Tusiime, Nkundabanyanga, & Nkote, 2011). Internal Audit function (IAF) was measured using internal controls and risk management (Agumas, 2015; Bananuka et al., 2018). Accountability was explained using value for money, financial reporting and fiscal compliance (Bakalikwira et al., 2017; Bananuka et al., 2018; Barnett et al., 2010; Emasu, 2007; Hayes et al., 2005; Mukyala et al., 2017; Nyamori, 2009).

3.3. Validity and reliability
Validity determines whether the research truly measures that it was intended to measure or how truthful the research results are (Golafshan, 2003, p. 599). Field (2009) categorizes validity as criterion validity and content validity. The Content Validity Index was used to test the relevance and clarity of the questions. The instrument was given to 2 academicians, 2 practitioners and any other knowledgeable person to ascertain the relevance and clarity of the questions. The overall content validity index is 0.94. Reliability is the ability of a measure to produce consistent results when the same entities are measured under different conditions (Field, 2009). The Cronbach Alpha coefficient was used to test for reliability of the instrument and if the Cronbach’s alpha coefficient is above 0.70, the instrument is considered reliable (Cronbach, 1951). For this study, the Cronbach alpha coefficients of all the study variables were above 0.70.

4. Results

4.1. Factor analysis
We carried out factor analysis in order to identify those items of the questionnaire that provide a valid explanation of the various constructs. We then obtained factor loadings and got to identify what can best explain the various constructs of our study variables. In terms of corporate governance, we were convinced that all those questionnaire items loaded on say board size explain what board size actually entails for example, a recommendable board size is that which provides a strong and effective leadership for the organization, a good board size is that which has adequate numbers to fulfill its requirements among others (see Table 2).

Table 2 shows that Corporate Governance practice of the state owned entities is explained by four factors, namely; board size, audit committees, board composition board independence, each explaining corporate governance 12.19, 8.79, 8.02 and 8.02%, respectively. The most important factor (board size) was underlined by; the Board size provides a strong and effective leadership for the organization (.89), the number of board members being adequate to fulfill the entities' requirements (.83), the Board possessing qualities to identify where they may be gaps (.78) and the board being about the right size, not too big, and not too small (.75). The second most important factor; Audit committees was better explained by the fact that the committees give input to the internal audit annual work plan (.78), committee chairperson is an independent
director and not the chairperson of the board (.77), committee promotes financial reporting quality (.74) and committee ensures the integrity of the financial reporting process in the organization (.64). Board composition was underscored by; existence of a policy of rotation of Board members (.78), Board members having recent relevant financial experience (.74) and appropriate representation of the Interests of all stake holder (.58). Board independence was better presented by; the board periodically reviewing the policies & procedures designed for proper internal controls (.77),
clear separation of the board chair and CEO roles/Duties (.77), availing all information to stakeholders in a clear manner (.74) disclosing potential conflicts of interest and own account transactions to other board members (.74) and board members rarely get involved in operational or administrative matters of the entity (.68).

The factor structure of the internal audit function was established to determine the significance of each of its constructs, namely; internal controls and risk management at explaining it.

Findings presented in Table 3 revealed that of the two constructs of the Internal Audit Function studied, namely; internal controls and risk management; the former was the most prominent and each explained the variance in Internal Audit Function by 16.12% and 15.24%, respectively. The internal controls factor was underscored by; the Internal Audit staff having developed fraud detection mechanisms (.82), Internal control measures in place safeguarding the assets of the company from misappropriation (.75), Internal audit reporting directly to the Audit Committee or to supervisory boards (.67) and existence of proper monitoring of internal control systems (.66). Risk management involved; Timely management of identified risks (.76), Internal auditors monitor risk management policies (.66), entity Internal audit staff takes all necessary measures to control risks in audit process (.65), existence of an effective system to respond to business risk faced by the entities (.63) and existence of an internal audit function effective in reporting on the “tone at the top” as part of its function (.58).

4.2. Correlation analysis

Table 4 presents Pearson correlation results. The correlations reveal that internal audit function is positively associated with accountability (r = 0.608**, p < 0.01). This implies that when there is existence of internal controls and risk management policies within statutory corporations, accountability will be improved. Findings further indicate that there is a positive relationship between corporate governance and accountability in SCs (r = 0.410**, p < 0.01). These results indicates that

<table>
<thead>
<tr>
<th>Table 3. Factor structure of the internal audit function</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item/Factor</strong></td>
</tr>
<tr>
<td>Internal audit staff in this entity have developed fraud detection mechanisms.</td>
</tr>
<tr>
<td>Internal control measures in place safeguard the assets of the company from misappropriation.</td>
</tr>
<tr>
<td>Internal audit in this entity report directly to the Audit Committee or to supervisory boards.</td>
</tr>
<tr>
<td>There is proper monitoring of internal control systems</td>
</tr>
<tr>
<td>Identified risks in this organization managed immediately.</td>
</tr>
<tr>
<td>Internal auditors monitor risk management policies in this entity.</td>
</tr>
<tr>
<td>In this entity Internal audit staff takes all necessary measures to control risks in audit process.</td>
</tr>
<tr>
<td>There’s an effective system to responds to business risk faced by the entity.</td>
</tr>
<tr>
<td>There’s an internal audit function effective in reporting on the “tone at the top” as part of its function.</td>
</tr>
<tr>
<td><strong>Eigen Values</strong></td>
</tr>
<tr>
<td><strong>Variance (%)</strong></td>
</tr>
<tr>
<td><strong>Cumulative Variance (%)</strong></td>
</tr>
</tbody>
</table>

Source: Primary data.
good Corporate Governance interims of board size, audit committees, board composition and board independence would lead into better Accountability in statutory corporations.

4.3. Regression analysis

The regression analysis was carried out to establish the degree of influence (contribution) of the predictor variables onto the criterion variable as displayed in Table 5. Overall, corporate governance and internal audit function explain 36.2% (Adjusted R Square = 0.362) of the variance in accountability. However, only internal audit function is a significant predictor of accountability of statutory corporations. Corporate Governance did not have a significant effect on accountability (beta = .126. P > .05).

5. Discussion

According to the current study results, internal audit function is a significant predictor of accountability of statutory corporations while corporate governance is not. The correlation results show that both internal audit function and corporate governance contribute to positive variances in accountability, however internal audit function is a more significant variable in predicting accountability of statutory corporations than corporate governance. The results of this study may explain that accountability failures in these corporations could be resulting from failure in the internal audit function with respect to their mandate of proper review of internal controls and adequate participation in risk management. Corporate governance as a whole may not be a significant predictor of accountability mainly because, the various corporate governance attributes can independently predict accountability. These findings are consistent with the findings of Badara and Siti (2012), Alzeban and Sawan (2013), Agumas (2015) who found that a functioning internal audit promotes accountability. The results are further consistent with Bananuka et al. (2018) who found that audit committee effectiveness and internal audit function are significant predictors of accountability of statutory corporations. According to Hayes et al. (2005), managers need regular financial reports so as to make informed decisions. Whittington and Pany (2001), talk about the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations, internal controls are a means by which an organization’s resources are directed, monitored and measured, therefore with a strong internal audit function in state owned enterprises will improve automatically.

### Table 4. Correlation analysis of the study variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance (1)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal audit function (2)</td>
<td>.525**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Accountability (3)</td>
<td>.410**</td>
<td>.608**</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Primary data.

### Table 5. Regression analysis

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.809</td>
<td>.259</td>
<td>3.131</td>
<td>.003</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>.130</td>
<td>.120</td>
<td>.126</td>
<td>1.080</td>
</tr>
<tr>
<td>Internal audit function</td>
<td>.479</td>
<td>.103</td>
<td>.542</td>
<td>4.658</td>
</tr>
</tbody>
</table>

R Square = 0.381, Adjusted R Square = 0.362; F—Statistic = 19.420; Sig = 0.000
Source: Primary data.
Results of the correlation analysis show that there is a significant positive relationship between corporate governance and accountability. This means that a sound corporate governance structure not only improves the way entities are directed and controlled, but also helps entities to improve its accountability, the factor analysis in relation to corporate governance revealed that, most respondents considered board size the most important determination for an effective corporate governance, followed by Audit Committee, Board composition and board independence in explaining Corporate Governance. The finding that internal audit function is the only significant predictor of accountability of statutory corporations unlike corporate governance means that, internal audit with or without corporate governance is critical to accountability in the public sector. In Uganda, the public financial management Act of 2015 section 49 and 48 requires all government entities to put in place audit committees and an internal audit function. Audit committees in Uganda are expected to assist the accounting officer in carrying out the oversight responsibilities relating to financial practices, internal controls, corporate governance issues, compliance with laws, ethics and audit matters; review the arrangements established by the accounting officer for compliance with regulatory and financial reporting requirements; review the financial statements prepared by the accounting officer to ensure that the disclosure in the financial statements is adequate and that fair representation is achieved; facilitate risk assessment to determine the amount of risk exposure of the assets of the vote and the possibility of loss that may occur, with a view to mitigating risks; and consider the reports submitted by the internal auditor to the accounting officer under section 48 and make recommendations on the findings of the internal auditor (Public Finance Management Act, 2015, p.50). Further, internal audit is mandated to appraise the soundness and application of the accounting, functional and operational controls of a vote; evaluate the effectiveness and contribute to the improvement of risk management processes of a vote; and provide assurance on the efficiency, and the effectiveness of the economy under section 48 and make recommendations on the findings of the internal auditor (Public Finance Management Act, 2015, p.49). The internal audit function in Uganda is supervised by the audit committee and the internal auditor general and this in one way or the other makes internal audit part of corporate governance. From findings of this study, it is highly probable that since internal audit function is a significant predictor of accountability and yet it is part of corporate governance, other corporate governance attributes when studied independently may predict accountability as well.

6. Summary and conclusion
The objective of this study was to investigate the contribution of internal audit function and corporate governance on accountability in the statutory corporations. This objective was achieved through a questionnaire survey of 66 statutory corporations. The results revealed that both internal audit function and corporate governance have a positive and significant association with accountability. However, the study found that only internal audit function is a significant predictor accountability in Uganda.

The findings of this study have important implications for academics and policy makers regarding statutory corporations. For academics, our results suggest that internal audit function is more important for accountability than corporate governance, and may be highly effective in solving accountability issues. This study documents additional evidence to Bananuka et al. (2018) on the positive association between corporate governance and accountability. For policymakers like the Government of Uganda, state owned enterprise should come up with strong policies to manage risks and to make sure that there are effective internal controls for better accountability, but to improve accountability in these enterprises, also good corporate governance practices should be embraced.

Despite the contributions, this study has several limitations which we discuss along with areas for further research. This study documents that corporate governance is not a significant predictor of accountability and yet internal audit function is. In this study, we did not test the contribution of each corporate governance attributes to accountability. It is important to test the contribution of various corporate governance attributes employed in this study such as board size, board
independence and board composition to accountability to both public sector and private sector 
entities in different study settings in future. Never the less, this study results are important for 
the improvement of accountability in Uganda’s statutory corporations.

Funding
The authors received no direct funding for this research.

Author details
Zainabu Tumwebaze1
E-mail: ztumwebaze@mubs.ac.ug
Veronica Mukyala2
E-mail: vmukyala@mubs.ac.ug
Bob Ssekiziyivu3
E-mail: bsesekiziyivu@mubs.ac.ug

1 Department of Accounting, Makerere University Business School, Uganda.
2 Department of Business Administration, Makerere University Business School, Uganda.
3 Department of Internal Audit, Makerere University, Posta Uganda.

Citation information
Cite this article as: Corporate governance, internal audit function and accountability in statutory corporations, Zainabu Tumwebaze, Veronica Mukyala, Bob Ssekiziyivu, Caroline Bonareri Tirisa & Ashim Tumwebonire, Cogent Business & Management (2018), 5: 1527054.

References
Tumwebaze et al., Cogent Business & Management (2018), 5: 1527054
https://doi.org/10.1080/23311975.2018.1527054


