

The Role of the Oversight Mechanism in Fostering Ethical Work Climates in Municipal Local Governments

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Abstract

This study investigated the relationship between oversight mechanisms and ethical work climate in municipal local governments. The study is particularly relevant to developing-country contexts, where concerns regarding the misapplication of public resources and public accountability remain significant. A quantitative research approach was employed using a pre-coded structured questionnaire to collect data from respondents. Data were analyzed using SPSS and partial least squares structural equation modeling (PLS-SEM) to examine the relationships between the study variables. The findings confirmed a significant positive relationship between oversight mechanisms and ethical work climate, indicating that stronger oversight is associated with a more ethical work environment. The findings support previous research highlighting the importance of independent oversight in shaping ethical behavior within public organizations. The study provides evidence that strengthening oversight mechanisms can enhance compliance with laws and policies, promote ethical work environments, and support public accountability in municipal local governments. The study contributes to the literature by examining the combined role of four oversight mechanism functions—internal audit, audit committees, external audit, and Public Accounts Committees of Parliament—in fostering ethical work climate in municipal local governments within a developing-country context.

Keywords: Accountability, Ethical Work Climate, Municipal Local Governments, Oversight Mechanism, Public Sector

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INTRODUCTION

Ethical work climates arise out of collectively agreed values, beliefs and norms that organizational participants are expected to follow to be recognized as compliant members (Victor and Cullen, 1987; 1988; Loke et. al., 2022). Ethics entail ideologies and benchmarks for decent behavior in communities and constitute the fundamental moral fabric of individuals and organizations (Obboh et. al., 2020; Amoah and Steyn, 2023). Extant literature has revealed unethical behavior in public sector entities in both developed and developing countries

(Sibanda et. al., 2020; Batista, 2024). According to Essien and Anyadighibe (2022), ethical work climate is fundamental in explaining the basis of the organizational members' moral decision making and the possible moral implications that may come with the decisions taken. Ethical work climates are indispensable moral structures of organizations and have strong implications for staff behavior. Czukor, et. al. (2021) and AL-Shboul (2024) indicate that ethical work climate avails guidance on the standards of behavior within an entity and has a substantial effect on the performance of the individual employee and the overall organization behavior. According to Erich, et. al. (2023), ethical work climate promotes organizational citizenship behavior in collectivist societies. Similarly, Haldorai, et. al. (2020) also revealed that ethical work climate leads to organizational citizenship behavior among employees. In a study carried out in the Malaysian public sector, it was found that employees who exhibited high ethical standards tend to prefer to continue working with an organization (Sajari, et. al. 2022).

Whereas the ethical work climate is fundamental in shaping organizational behavior, there are instances in which employees have behaved in ways that have tended to be unacceptable in the organizational environment in public entities. At the global level, Castro and Lopes (2022) assert that corruption in public sector entities has been a concern for the United Nations (UN) and, in the Sustainable Development Goals (SDGs) 2030, reducing corruption was set as one of the targets under the goal of peace, justice and strong institutions. El-Deeb et. al. (2023) assert that there have been challenges of managing corruption acts and opportunistic behaviors among employees and managers of public interest companies among other challenges, leading to large organizations like the United Nations to consider enhanced forms of reporting covering environment, sustainability and governance. These challenges point to lapses in the ethics of the work environments in public organizations globally. At the regional level in Africa, Amoah and Steyn (2023) assert that unethical practices are a major hindrance to progress in efforts geared towards achieving sustainable development in the social and financial sphere in South Africa. Sibanda et. al. (2020) also established that factors resulting from unethical practices such as bid rigging negatively affected the performance of municipal local governments in South Africa. Kuye and Akinwale (2021) asserted that excessive bureaucracy and poor work ethics among other issues had led to poor service delivery in hospitals in the Nigerian public service. Inadequate ethical work climates are anticipated to be a significant contributor to unethical practices. In the East African region, Odongo and Kazungu (2023) show that corruption is prevalent in public procurement systems in Kenya leading to extra costs of up to 20% on public contracts signed and causing delays in settlement of public debt as well as causing other socio-economic issues such as shortages of drug supplies in hospitals. In addition, Rugeiyamu and Nguyahambi (2024) point to diminished civic inclusion, rights and participation in Government decision making in Tanzania. Uganda as a country is not an exception to this, as over one thousand cases of corruption in ministries, departments, agencies and local governments were being reported to the Inspectorate of Government for investigation annually by 2020 (Inspectorate of Government, 2020). Further, in a thematic report on payroll management in local governments for the financial year 2021/2022, the Auditor General reported that the Ugandan government had lost a sum of UGX.19Bn because of paying salaries to teachers that were not entitled to the payments in 129 District, City and Municipal local government schools (Auditor General, 2022).

In the effort to enhance ethical work climates and safeguard the utilization of public funds, many

Governments have established oversight mechanisms (Bovens & Wille, 2021; Bradley et al., 2023). Oversight mechanisms have been argued to be a vital function in nurturing the moral behavior of employees in organizations, consequently impacting on the overall organization's ethical work climate (Bovens and Wille, 2021; Mazzucato, 2024). The mechanisms can be both internal and external (Tasan-Kok, 2019; 2021; Knill et. al., 2024). In Uganda, like in several other countries, the oversight mechanism is comprised of internal oversight functions such as internal audit and audit committees, and external oversight functions like external audit (a role mandated to the Office of the Auditor General) and Parliamentary Public Accounts Committees (PACs). The oversight mechanism plays a significant role in shaping the behavior of individuals towards proper organizational management and accountability (Nxumalo et. al., 2018; Österberg and Licht, 2023; Ramaano, 2024). According to Nxumalo et. al. (2018) and Mazzucato (2024), the oversight mechanisms ensure that managers provide services to the public in an efficient and effective manner. A professional public service is protected by quite a number of oversight mechanisms (Tasan-Kok, 2019; Odongo and Kazungu 2023) which are meant to work in the interest of citizens (Bovens and Wille, 2021; Kwon, 2023) to foster transparency and accountability in public governance (Odong and Kazungu, 2023; El-Deeb et. al., 2023). Nalukenge et. al. (2021) assert that internal audits, external audits and audit committees can act as preventive mechanisms for possible errors or fraud in financial management. There is therefore need for existence of functions of independent oversight mechanisms to examine the works of public leaders.

On the other hand however, some earlier scholars such as Ibietan (2013) and Ng'eni (2016) as well as recent scholars such as Mwesigwa and Oladapo (2021), Bradley et. al. (2023), Ferry et. al. (2023) and Kwon (2023) have argued that the oversight mechanism may fail to have a positive contribution to the ethical work climate of a public organization. Kwon (2023) established limited contribution of oversight functions like internal audit in the ethical work environment of the Ontario Police department in Canada, since the process of oversight was in the control of the police department they were overseeing. In addition, Bradley et. al. (2023) found that the quality of external audits, a key function of the oversight mechanism in the public sector, was negatively affected by lack of expertise of firms to which the audits were entrusted in the United Kingdom.

Besides, in existing literature less focus has been put on the ethical work climate concept in comparison to the other elements of organizational climate (Mbali and Rucell, 2022). Moreso, most of the prior ethical work climate studies have been done in the private sector context (Sajari, et. al., 2022). To explain the preceding phenomenon and address these gaps, the current study borrows its basis from the principles of the Agency Theory (Jensen and Meckling, 1976). The theory assumes that the principals who own resources avail them to agents along with some degree of decision-making authority to use them to achieve the objectives of the principals. However, both the principals and agents are primarily rational beings, each with their own interests (Jensen and Meckling, 1976; Eisenhardt, 1989). Therefore, without proper monitoring, the agents may ignore the objectives of their principals and pursue their own personal goals (Eisenhardt, 1989; Dang and Nguyen, 2022). The principals are aware of this risk with the agents if not monitored (Jensen and Meckling, 1976; Eisenhardt, 1989). On this basis, the principals therefore provide incentives to the agents in the endeavor to avert the risk, but above all, the principals put in place independent oversight parties to monitor the functions of the agents (Jensen and Meckling, 1976; Dang and

Nguyen, 2022). It is upon this backdrop that the current study seeks to investigate the role of the oversight mechanism dimensions in enhancing ethical work climates in municipal local governments. Empirical studies with a focus on local governments are important since local governments are closer to many citizens and responsible for delivery of social services (Bisogno et. al., 2023; Ramaano, 2024). No prior study has been observed by the author that has investigated the combined role of the oversight mechanism dimensions in fostering ethical work climate in municipal local governments of Uganda, an African developing country. By so doing, the study contributes to the scanty existing literature on how oversight mechanisms reinforce ethical work climate particularly, from the context of public entities in developing countries. Therefore the overall objective of the study was to investigate the relationship between the oversight mechanism and ethical work climate based on the context of municipal local governments in Uganda.

METHODS

Study Context

This study was undertaken in municipal local governments in Uganda. The municipal local governments are mandated to provide social services to urban communities in Uganda, and consequently account to the public on how public funds to the municipality have been utilized in the delivery of the social services. The mandate on public accountability in municipal local governments in Uganda is derived primarily from the Constitution of the Republic of Uganda 1995 (Republic of Uganda, 1995), the Local Governments Act Cap 138 (Republic of Uganda, 1997), the National Audit Act Cap 170 (Republic of Uganda, 2008a), the Public Finance Management Act Cap 171 (Republic of Uganda, 2025), the Local Governments' Financial and Accounting Regulations, 2008 (Republic of Uganda, 2008b), the Public Finance Management Regulations 2016 (Republic of Uganda, 2016) and the Treasury Instructions 2017 (Republic of Uganda, 2017). The seventh schedule of the Act provides the Local Governments' Revenue Regulations and the various sources from which Local Governments can generate revenue for financing of the provision of services under their mandate.

In the provision of the mandated social services to the communities, the municipal local governments are required to account on how well appropriated public funds have been applied for the delivery of public services. Because of accountability challenges that face many public entities including municipal local governments in developing countries such as delayed procurements, inefficient provision of public services and the subsequent inadequate accountability (Kuye and Akinwale, 2021; Castro & Lopes, 2022; Auditor General, 2022), Central Governments have endeavored to establish oversight mechanisms. The oversight mechanisms monitor the application of public resources, examine implemented activities and consequently provide assurance on how the public resources have been applied.

Research Design

The study applied a quantitative cross-sectional research design to collect and analyze data (Obboh et.al, 2020; Kuye and Akinwale, 2021; Ebaid, 2022; Bonsu et. al., 2023). This entailed using a structured questionnaire

for the data collection at a single point in time (Bonsu et. al., 2023). According to Sardana et al. (2023), such a quantitative approach is considered more ideal for studies where a researcher is interested in testing study hypotheses. A detailed literature review was done to enable the researcher to develop pre-coded statements and questions to capture the respondents' perceptions on the study variables (Denzin & Lincoln, 2008; Newton et al., 2020; Creswell & Creswell, 2023).

Study Population, Sample, Sampling Procedure and Characteristics of the Respondents

The population of the study comprised of a total of 120 municipal local governments found in Uganda. A sample of 92 municipal local governments was determined based on Krejcie and Morgan (1970) sample determination guidelines. These comprised of 24 municipal councils and 68 municipal divisions. Table 1 shows the determined sample. The sampling approach applied ensured adequate representation of the study population (Triveni and Danish, 2024). The sampled municipal local governments were spread across the country to get adequate representation from all regions. Simple random sampling was used to select municipal councils and municipal divisions from the various regions to constitute the determined sample of 92 municipal local governments. In this study the unit of analysis was the municipal local government while the unit of inquiry was the individual staff (accountability providers) and councilors (accountability receivers) of the municipal local governments.

Table 1. Stratification of Municipal Local Governments

No	Strat	Population	Sample	Response	Response Rate
1	Municipal Councils	31	24	24	100%
2	Municipal Divisions	89	68	64	72.7%
	Total	120	92	88	95.6%

On return of the filled instruments, 521 usable questionnaires were received. The respondents comprised of 233 (44.7%) from municipal councils and 288 (55.3%) from municipal divisions. 4 municipal divisions did not provide responses. The overall response rate was 95.6% as indicated in Table 1 above which indicated the respondents' willingness to participate in the study in general. The high response rate strengthened the reliability and external validity of the study. The respondents were spread across an array of responsibility positions within the local governments, enabling the researcher to obtain comprehensive and varied opinions from all the key public accountability players in the municipal local governments. The spread of the respondents across the various categories of positions of key accountability players was pertinent as it provided an opportunity for the researcher to obtain views based on the experience of staff at the different levels. The spread of the respondents is shown in Table 2.

Table 2. Distribution of Respondents According to Position in the Respondent Municipal Local Governments

Position	Frequency	Percent	Valid Percent	Cumulative Percent
Town Clerk	24	4.6	4.6	4.6
Principal Treasurer	24	4.6	4.6	9.2
Senior Internal Auditor	24	4.6	4.6	13.8
Municipal Engineer	21	4.0	4.0	17.9

Principal Education Officer	24	4.6	4.6	22.5
Principal Community Development Officer	23	4.4	4.4	26.9
Principal Commercial Officer	23	4.4	4.4	31.3
Medical Officer of Health	23	4.4	4.4	35.7
Municipal Mayor	24	4.6	4.6	40.3
Secretary Finance Local Council IV	23	4.4	4.4	44.7
Senior Assistant Town Clerk	64	12.3	12.3	57.0
Division Treasurer	63	12.1	12.1	69.1
Community Development Officer	61	11.7	11.7	80.8
Chairman Local Council III / Division Mayor	53	10.2	10.2	91.0
Secretary Finance Local Council III	47	9.0	9.0	100.0
Total	521	100.0	100.0	

In terms of gender of the respondents, there were 334 male and 187 female respondents, as given in Table 3.

Table 3. Spread of respondents according to gender

Category	Frequency	Percent	Valid Percent	Cumulative Percent
Male	334	64.1	64.1	64.1
Female	187	35.9	35.9	100.0
Total	521	100.0	100.0	

Variable Measurements

The independent variable, oversight mechanism was operationalized using four dimensions, namely; Internal Audit Reviews, Audit Committee enquiries, External Audit examination and Public Accounts Committee (PAC) hearings. Internal Audit Reviews (Badara and Saidin, 2014; Bananuka, et. al., 2018; Anin et. al., 2024) and Audit Committee enquiries (Bananuka, et. al. 2018; Acheampong, et. al., 2023) constitute internal oversight mechanism functions. External Audit examination (Zhou and Tawanda, 2012; Eriksen, 2021; Anin, et. al., 2024) and Parliamentary Public Accounts Committee (PAC) hearings (Yapa, 2014; Ayepare and Orueze, 2015; Nalukenge, 2021) constitute external oversight mechanism functions.

Ethical work climate as the dependent variable, was operationalized in terms of three dimensions. The dimensions were: caring, law and code and internal policies (Victor and Cullen; 1987; 1988; Cullen et al., 1993). The items for the various variable measurements were obtained from tools of previous scholars and were domesticated to suit the current study context. These were further anchored on a six-point scale in a structured questionnaire for data collection.

Data Collection, Response Rate and Analysis

Data was collected using a self-administered structured questionnaire anchored on a six-point scale in two intervals. First, data for the independent variable was collected and after two weeks the questionnaire for the dependent variable was administered. This is in line with the recommendations of Jakobsen and Jensen (2015) who indicated that doing so minimizes common methods biases in terms of social desirability. A total of five hundred and eighty (580) questionnaires were distributed to the respondents. The useable questionnaires received were 521, giving a response rate of 89.8% in terms of units of enquiry. In terms of units of analysis, 88 out of 92 sampled local governments returned questionnaires, giving a response rate of 95.6%. To analyze the data, the

researcher used SPSS for exploratory factor analysis and PLS-SEM for confirmatory factor analysis and subsequently for testing the underlying relationship between the dependent and independent variables, to address the research objective of the study.

Data Reliability and Validity

Data Cronbach alpha and composite reliability coefficients were used to test data reliability as per the recommendations of Hair et al. (2021). The results in Table 4 showed coefficients of 0.7 and higher, indicating that the data exhibited consistency. The researcher also tested for construct validity in terms of convergent and discriminant validity. For convergent validity, the researcher used the Average Variance Extracted and the results were 0.5 and above, signifying homogeneity among the variables. The Heterotrait-Monotrait (HTMT) ratio was used to test discriminant validity and the results showed that the values were below 0.85, suggesting distinctiveness among the study variables (Hensler et. al., 2015). The reliability and validity test results are provided in Table 4 below.

Table 4. Reliability and Validity Coefficients

Study Variable	Cronbach's alpha	Composite Reliability	Average variance Extracted (AVE)
Internal Audit Reviews	0.838	0.846	0.674
Audit Committee Enquiries	0.818	0.824	0.647
External Audit Examination	0.811	0.817	0.641
PAC Hearings	0.822	0.826	0.738
Ethical Work Climate	0.886	0.889	0.525

Correlation Analysis

The results revealed positive and statistically significant relationships between the independent variable and its dimensions and the dependent variable as presented in Table 5.

Table 5. Pearson Correlations Between Oversight Mechanisms and Ethical Work Climate

Ethical Work Climate	Correlation Type	Internal Audit Reviews	Audit Committee Enquiries	External Audit Examination	PAC Hearings	Oversight Mechanism
		.570**	.560**	.618**	.550**	.700**

** Correlation is significant at the 0.01 level (1-tailed).

Testing for Variable Relationship

To achieve the study objective, the relationship between the dependent and independent variables was tested using Partial Least Squares Structural Equation Modelling. Figure 1 presents the model structure with path estimates and Table 6 provides the model fit results.

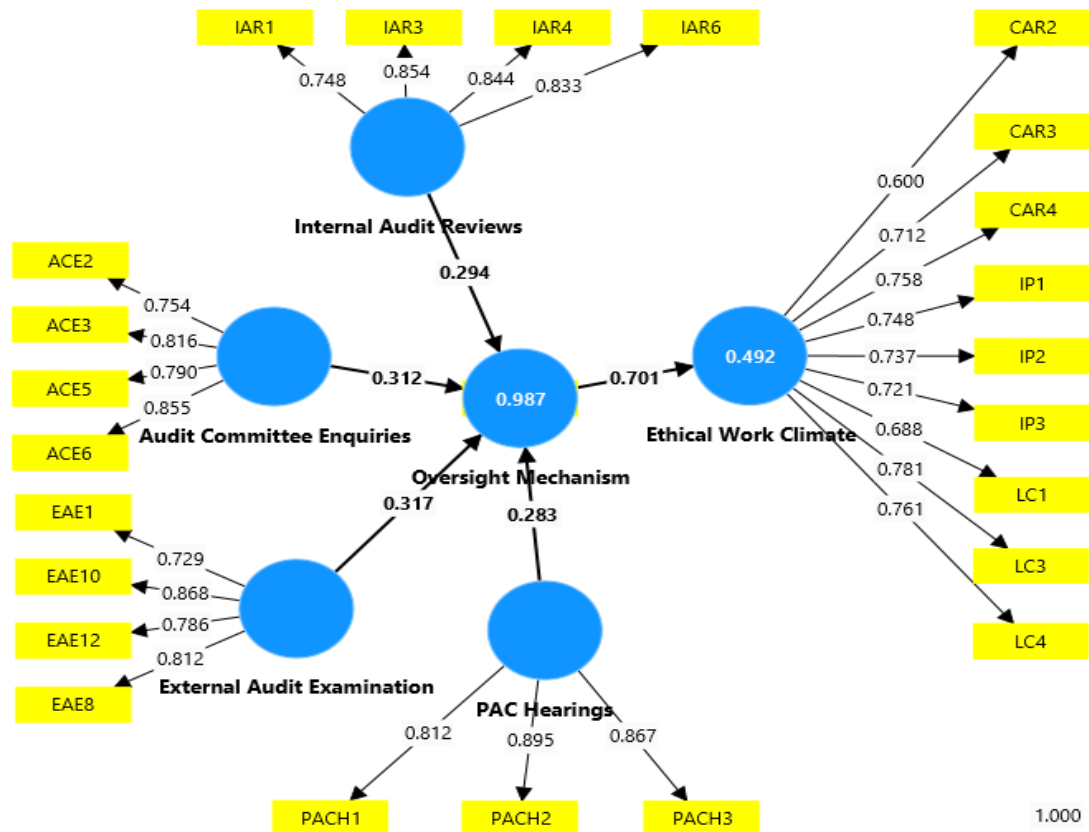


Figure 1. PLS-SEM Model for the Relationship between Oversight Mechanism and Ethical Work Climate

Table 6. Model Fit Indices

No	Particulars	Criteria (Hensler et al. 2015; Hair et al. 2021)	Result
1	Standardized Root Mean-Square Residual (SRMR)	<0.1	0.052
2	Normed FIT Index (NFI) (Range	$0 < x \leq 1$	0.838
3	Unweighted Least Squares Discrepancy (dUSL))	>1.0	1.340
4	Dillon Goldstein Geodesic Discrepancy (DG) pc)	>0.7	0.969
5	Coefficient of Determination (R^2)		0.492

As revealed in Table 6, the model was found to be appropriate for testing of the relationship between the study variables in line with the recommendations of Hensler et. al. (2015) and Hair et. al. (2021).

RESULTS AND DISCUSSION

Results

The results of relationship testing revealed that there was positive and significant association between the oversight mechanism and its constructs, namely; internal audit reviews, audit committee enquiries, external audit examination and PAC hearing and ethical work climate. The summary results from PLS-SEM relationship testing and bootstrap analysis are shown in Table 7.

Table 7. Results of Testing Relationship Testing

Tested Path	β	St. Dev	T-Value	P-Value	Conclusion
Oversight Mechanism → Ethical work climate	0.701**	0.024	28.957	0.000	Supported
Internal Audit Reviews → Ethical work climate	0.206**	0.010	21.395	0.000	Supported
Audit Committee Enquiries → Ethical work climate	0.219**	0.009	23.055	0.000	Supported
External Audit Examination → Ethical work climate	0.222**	0.010	23.242	0.000	Supported
PAC Hearings → Ethical work climate	0.198**	0.009	20.927	0.000	Supported

**Correlation is significant at the 0.01 level (1-tailed).

As earlier noted, the study sought to investigate the relationship between oversight mechanism functions (internal audit reviews, audit committee enquiries, external audit examination, PAC hearings) and ethical work climate. Consequently, the results of relationship testing indicated that there is a positive and significant relationship between oversight mechanism and ethical work climate ($\beta=0.701$, $t=28.957$, $P=0.000$). This means that positive changes in oversight the mechanism results in a positive change in ethical work climate. At the level of the individual oversight mechanism functions (internal audit reviews, audit committee enquiries, external audit examination, PAC hearings), the results are explained in the following sections.

Results show that there is a positive and significant relationship between internal audit reviews and ethical work climate ($\beta=0.206$, $t=21.395$, $P=0.000$). This finding indicates that any positive change in internal audit reviews can lead to a positive change in ethical work climate. Further, the findings reveal that there is a positive and significant relationship between audit committee enquiries and ethical work climate ($\beta=0.219$, $t=23.055$, $P=0.000$). The finding means that any positive change in audit committee enquiries would result in a positive change in the ethical work climate.

Relatedly, the results show that there is a positive and significant relationship between external audit examination and ethical work climate ($\beta=0.222$, $t=23.242$, $P=0.000$). This implies that any positive change in external audit examinations results in a positive change in the ethical work climate. Furthermore, the findings also reveal that there is a positive relationship between Public Accounts Committee hearings and ethical work climate ($\beta=0.198$, $t=20.927$, $P=0.000$). Thus, the finding shows that any positive change in public accounts committee hearings would result in a positive change in ethical work climate.

Discussion

Overall, the results revealed a positive and significant relationship between the oversight mechanism and ethical work climate. Such findings indicate that municipal local governments that gear efforts towards over-seeing work performance of their employees are likely to promote an ethical work climate in the institution. The findings are in line with Nxumalo, et. al. (2018) and Österberg and Licht (2023) who indicate that through the role of the various functions of the oversight mechanism, such as internal audit reviews, audit committee enquiries, audit examination and PAC hearings, the ethical work climate is strengthened. The reason for this is due to the fact that when the oversight mechanism functions are active, the organization is monitored consistently and its performance

gauged against approved targets, agreed procedures and laid down policies. The results in relation to each of the oversight mechanism dimensions and ethical work climate are further discussed in the following paragraphs.

The findings show that there is a positive and significant relationship between internal audit reviews and ethical work climate. In municipal local governments, when internal audit reviews are undertaken well and regularly, they will identify system flaws and provide recommendations for improvement hence leading to compliance with existing laws and policies. This is because, internal audits are part of the day-to-day running of an organization which enables internal auditors to devote more time to the scrutiny of the municipal local government operations, gain full access to review of system functionality and to provide advice on how to close identified performance gaps that are not in line with the underlying laws. The finding agrees with the findings of Hegazy et. al. (2023) and Amoako et. al. (2023) who assert that the internal audit function plays a key role in the review of the adequacy of internal control systems and making recommendations for improvement where weaknesses are observed. Active internal audit departments can therefore enhance the ethical work climate of the municipal local governments.

In addition, the findings show a positive and significant relationship between audit committee enquiries and ethical work climate. This means that improvements in audit committee enquiries have potential to lead to improvements in the ethical work climate of the municipal local government. When audit committee enquiries are undertaken, the committees often investigate flaws in the municipal local governments' administrative systems and general work environment raised through internal audit reports and other sources that come to the attention of committee members. These investigations result in concrete recommendations from the committee that when acted upon by managers enable staff to abide by the organization's professional codes of conduct. In accordance with the Local Governments' Act 1997 (amended), the District Public Accounts Committees (performing the roles of Audit Committees) examine the reports prepared by internal auditors and engage with responsible managers to enquire into areas where poor performance has been identified. Through their enquiries, the committees identify matters that are the cause of inadequate performance and make recommendations for improvement. This heightened awareness regarding the expectation of standard behavior improves the ethical work climate of municipal local governments. The current study findings concur with the findings of Acheampong et. al. (2023) who assert that audit committees are indispensable in ensuring that public agencies maintain proper behavior to keep the trust of the citizens. The findings are also in agreement with the findings of Azizkhani et. al. (2023) who stipulate that an audit committee with experienced members can demand for a higher level of assurance from internal auditors hence gaining better value from the audit process for improvement of the organization's working environment. Audit committees with experienced members are key in the oversight of internal control systems and safeguarding the ethics of the organization.

In regard to external audit examinations and ethical work climate, the findings further reveal a positive and significant relationship between the variables. The findings suggest that municipal local governments where external auditors carry out annual reviews of control systems, there is a tendency to focus on the requirements of the law and compliance. In Uganda, municipal local governments are subjected to external audit examinations. The external audit examinations are undertaken by the Auditor General, based on the mandate from Article 163 of the Constitution of the Republic of Uganda 1995 (amended) and the National Audit Act 2008, which is to annually

audit all public accounts of Uganda and report to Parliament. During the audits, the external auditors are required by the audit standards to understand the entity operational environment and identify inherent risks that may hinder the entity from achieving its objectives and to design audit procedures to detect any possible anomalies. Due to the rigorous process, the external auditors can identify issues that affect entity performance and make practical recommendations that improve the organization's work environment. As a result, staff become more focused on standard ways of behavior because they understand that when the audits are undertaken, areas of divergence from the normal ethical practice can be identified and reported upon.

In contrast to the current study, there some studies such as Bradley et. al. (2023) and Ferry et. al. (2023) in which the value of external audits to the ethical work climate of audited entities has been questioned. Bradley et. al. (2023) assert that the quality of external audits has been negatively affected by lack of expertise of the firms to which the audits have been entrusted. Further, Ferry et. al. (2023), stipulate that audit in the public sector is faced with heightened public examination and pressure from politicians due to financial management and accountability dilemmas. Whereas the observations of Bradley et. al. (2023) and Ferry et. al. (2023) may have been valid in the circumstances they investigated at the time, the current findings in the circumstances of local governments in Uganda reveal that external audit has a positive relationship with ethical work environment. Therefore, independent external audit is fundamental in fostering ethical behavior and a vital ingredient in the proper functioning of municipal local governments.

The findings also show a positive and significant relationship between public accounts committee hearings and ethical work climate. The results show that municipal local governments where managers are usually invited by Public Accounts Committees to respond to findings from audit reports are likely to stick to rules and procedures that govern these institutions. Parliaments put in place Public Accounts Committees (PACs) to discuss the external audit reports and examine witnesses during discussion of those reports. The external audit reports from the Auditor General are the main source of work and the point of focus of the PACs. The examination of the witnesses by the PAC during a hearing is a comprehensive, highly publicized process and the witnesses, who are usually Accounting Officers of the public organizations, or their technical staff submit written and verbal responses on the issues raised in the reports. This exposure and interrogation in the PACs make the municipal local government staff more aware of the concerns of the parliament and the citizens at large. They become keener in ensuring that their actions and behavior mirror what is morally acceptable within the public entity. The current study findings agree with the observations of Nalukenge, et. al (2021) and Kemp et. al. (2023) who stipulate that PAC discussions concerning reports of the auditor general and questioning of witnesses contributes to the improvement of the ethical values in the organization. The findings are also in line with Acheampong, et. al. (2023) who assert that oversight agencies such as public accounts committees reprimand public managers for inappropriate behavior and mismanagement of public resources. The consequence of the role of effective PACs is that public managers and employees become cautious regarding the ethical expectations of the institution in the conduct of their duties.

CONCLUSION

The main objective of the study was to investigate the relationship between oversight mechanism and ethical work climate. Specifically, the study sought to investigate the relationships between the individual dimensions of oversight mechanism (internal audit reviews, audit committee enquiries, external audit examinations and public accounts committees) and ethical work climate. The findings showed positive and significant relationships between all the oversight mechanism dimensions and ethical work climate. This is an indication that, indeed putting in place both internal and external mechanisms to oversee the operations of municipal local governments is vital in ensuring adherence and compliance with the laws, policies and procedures that govern these institutions hence promoting an ethical work climate. In its role, the oversight mechanism examines organizational administrative systems and controls and provides recommendations for improvement in observed areas of weakness, thus enhancement in an organization's ethical work climate is attained. The study has several implications: Theoretically, the study was underpinned by the agency theory as a foundation for explaining the relationship between oversight mechanism and ethical work climate. The study has provided further credence to the agency theory that independent monitoring functions are indispensable in overseeing the proper behavior and guaranteeing an ethical work environment more so in the context of municipal local governments found in Uganda, a developing country. In addition, the study has shown that the oversight mechanism comprising of internal audit reviews, audit committee enquiries, external audit examination and PAC hearings can improve the ethics of the work environment. This is done through investigating areas of weaknesses and providing practical recommendations for improvement. Public managers therefore ought to pay attention to these functions of the oversight mechanism in the institutions to realize more ethically compliant work environments. In terms of policy, the findings of this study provide more evidence for the need to strengthen monitoring mechanisms to enable adherence and compliance to laws and regulations that govern municipal local governments. This can improve the ethical work climate of the public entities and enhance the delivery of social services to communities. In respect to study limitations and areas for future research, the study has been carried out in municipal local governments. There may be need to undertake similar studies in other categories of public entities. The study used a quantitative methodology to investigate the relationship between oversight mechanism and ethical work climate. While this methodology was found to be more suitable by the researcher in the current study, future studies may consider using a mixed approach. Nonetheless, the findings of this study remain relevant.

DECLARATIONS

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