This study was conducted to examine how public funds accountability in a decentralized setting influence service delivery with a focus on Kabale municipality. The study adopted a cross sectional research design and used qualitative and quantitative research method. Purposive and simple random samplings were employed during the selection of respondents. The research applied interviews, questionnaires, focus group discussion and documentary analysis. Data were collected from 100 respondents; analysed using tables, figures and percentages. The findings were as follows: accountability of funds was carried out in two ways, i.e. stewardship and social accountability. The study findings revealed that public funds accountability leads to improved service delivery most especially when there is domestic demand for public funds accountability. As a strategic measure, the researcher recommended that both the central government and local government should work together in supporting and sustaining the positive effects of public funds accountability on service delivery, local government officials especially politicians and civil servants should hold all officers accountable to the public, internal and external auditors should be employed and well recommendations adhered to. Monitoring of government activities and programmes should be intensified.