
**ASSESSING EXTERNAL AUDIT PRACTICES ON THE MANAGEMENT
OF PUBLIC FUNDS IN UGANDA CASE STUDY: ADJUMANI DISTRICT**

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Abstract

The study aimed at assessing external audit practices on the management of public funds in Uganda and it was guided by the following objectives; To examine how record keeping influences the management of public funds in Adjumani district, to find out the extent to which accountability affects the management of public funds in Adjumani district, and to examine how monitoring influences the management of public funds in Adjumani.

The population of the study was composed of 80 respondents from central division and sub-counties. 50 respondents were from central division while the 30 respondents were from the sub-counties.

From the findings the study established that majority of the respondents strongly agreed that accountability helps in the preparation of budget as shown by mean of 1.45, efficiency and effectiveness of how money is managed as shown by mean 1.30, helps in checking costing orders, invoices and reconciliation as shown by mean 1.25 in each case, and finally that transparency and good governance minimizes corruption within government as shown by a mean of 1.49. There is need for the external auditors continuously update themselves with the changing times and technologies and sharpen their skills. By applying skills to the most critical points, building personal and professional credibility and recognizing and responding to the needs, external auditors can become indispensable thus speeding good governance and enhancing efficiency of external audit.

Key words: external audit practices, management and public funds

Background of the study

External Audit is a periodic examination of books of account and records of an entity conducted by an independent third party (auditor) to ensure that they have

been properly maintained, are accurate and comply with principles and accounting standards, and give a true and fair view of the financial state of the organization. The external audit plays a vital role for better performance of public institutions by advising the management and internal control about their weaknesses. The independence of external auditors is crucial for effective auditing of public entity's financial controls and statements (Christopher, Willies, et al., 2022).

Public Finance Management refers to the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilize revenue, allocate public funds, undertake public spending, account for funds and audit results (Ntirandekura et al., 2022). It encompasses a broader set of functions than financial management and is commonly conceived as a cycle of six phases, beginning with policy design and ending with external audit and evaluation.

According to the Transparency International Report (2007), to a great extent, Uganda is facing the problem of mismanagement of public funds. In this report Uganda was ranked among the most corrupt countries in the world and statistics still ranks it among the most corrupt countries in the world to date. The press and other anti-corruption crusades have voiced concerns of embezzlement, fraud, and management of funds. In the National Integrity Survey Report, (1998) by the Inspector General of Government in Uganda, it was reported that the percentage of services users who pay bribes was 63% and the worst record of corruption was in the police, Uganda Revenue Authority, Local Governments, Magistrates courts, all of which are government institutions (Paul et al., 2023).

In Adjumani district there was tendency of corruption which has affected the delivery of goods and services. This has also led to poor quality and shoddy work as exhibited by Mukalazi Technical Services in the road's rehabilitation within the district. As for Town council, mismanagement of funds has also affected the delivery of goods and services (Christopher, Komunda, et al., 2022). This has been evident by the case of concealment of funds meant for development projects and diverted for personal use, where the matter is before the Inspector General of Government (IGG).

Statement of the Problem

Adjumani District was created on May 17, 1997, when Moyo District was split into two. The eastern part of Moyo District was renamed Adjumani District, after its largest town, Adjumani. The western part of the old Moyo District remained as the modern Moyo District (Onodi et al., 2018). Due to the apparent threat of financial mismanagement in organizations, local governments have put in place specialist roles like external audit to ensure healthy financial performance (Polycarp et al., 2023). This has enabled them to safeguard their administration against potential breaches, minimizing loss due to embezzlement; protecting the sustainability of the organization and ensuring the confidence and safeguarding the profitability and return on investment of the local government over the long term (Karimi, 2014). External audit also supports management of public funds by ensuring the safety of the shareholders' interests in the district and assures all citizens of the efficient service delivery and management of public resources (Moses et al., 2023). However, some government agencies have not appreciated the external audit practice because it is believed to be costly and unsuitable whenever resources are limited, ineffective and provides unreliable opinion because some external auditors lack specialist expertise to guarantee financial healthy, yet others are easily compromised by corrupt insiders. As a result, some officials have relied on the internal auditors and internal controls (Alex & Kazaara, 2023). This study will therefore examine the effect of external auditing practices on the management of public funds in Uganda, using Adjumani District Local Government as a case study.

Specific objectives

To examine how record keeping influences the management of public funds in Adjumani district.

To find out the extent to which accountability affects the management of public funds in Adjumani district.

To examine how monitoring influences the management of public funds in Adjumani.

Research questions

How does book-keeping influence the management of public funds in Adjumani?

To what extent does accountability influence the management of public funds in Adjumani district?

How does monitoring influence the management of public funds in Adjumani district?

Methodology

Research design.

The research was descriptive cross sectional survey design where data was collected from across the population at one point in time. This design was cheap, less time consuming and easy data collection and analysis (Amin 2005). Both qualitative and quantitative data collection was used during the data collection.

Research Population.

The population of the study was composed of 80 respondents from central division and sub-counties. 50 respondents were from central division while the 30 respondents were from the sub-counties.

Sample size

Slovene's formula was used to compute the sample size. This formula was employed so as to sample fairly a large size as representation of the total population such that the research findings obtained can be considered valid. The details on the determination of sample size using Slovene's formula are shown below;

By using Slovene's formula ($=\frac{N}{1 + (e)^2}$)

$$n = \frac{N}{1 + (e)^2}$$

n= sample size

N = population size

e = level of significance

$n = 80$

$1 + 0.2$

$n = 80 / 1.2 = 66.66 = 67$

Sample size for central division respondents

$n = 50 \times 80 = 42$

80

Sample size for sub-counties respondents

$n = 30 \times 67 = 25$

80

Table 1. Population and sample size table.

Categories	Population	Sample size
Central division	50	42
Sub-counties	30	25
Total	80	67

Source field

Sampling procedures

The study used a technical of stratified random sampling. The respondents of this study are divided into two categories 50 works in central division, 30 works in sub-counties.

Data Analysis

During this process of data analysis, the researcher used frequencies and percentage distribution to analyze data on profile of respondent using SPSS (Nelson et al., 2022). Mean and standard deviation was used to determine the level of performance of central division (Nelson et al., 2023). Items/respondents answer analysis helped to demonstrate strength and weakness of respondents on the sub-counties in Adjumani district. Numerical values and the interpretation

were used to interpret the response based on the mean score, for each item question on both central division and sub-counties in Adjumani district.

RESULTS

Table 1: Gender of the Respondent

Gender	Frequency	Percentage
Male	50	75
Female	30	25
Total	80	100

Source: Primary Data, 2022

The study sought to determine the gender of the respondent and therefore requested the respondent to indicate their gender. The study found that majority of the respondent as shown 75% were males whereas 25% of the respondent were females, this is an indication that both genders were involved in this study and thus the finding of the study did not suffer from genders bias.

Table 2: Age Distribution

Age bracket	Frequency	Percentage
25 to 34 years	30	45
35 to 44 years	25	30
45 to 50 years	10	10
51 years and above	15	15
Total	80	100

Source: Primary Data, 2022

The study requested the respondent to indicate their age category, from the findings, 45% of the respondents were aged between 25 to 34 years, 30% of the of the respondent indicated they were aged between 35 to 44 years, 10 % of respondents indicated that they were aged between 45 to 50 years, 15% of the respondents indicated that they were aged above 51years.this is an indication that respondents were well distributed in terms of their age.

Table 3: Level of Education

Level of Education	Frequency	Percentage
Postgraduate	5	10
Masters	15	20
Degree	35	40
Diploma	25	30
Total	80	100

Source: Primary, 2022

The study requested the respondent to indicate their highest level of education. From the findings, it was established that 40% of the respondent indicated their highest level as degree, 30% of the respondent indicated their highest level as college diploma, 20% of the respondents indicated their highest level of education as masters, whereas 10% of the respondents indicated their highest level as post graduate, this is an indication that most of the respondents focused in this study had university degrees as their highest level of education.

Table 4: Period of service

Years of service	Frequency	Percentage
Less than 2 years	5	10
2 to 5 years	20	30
6 to 10 years	40	35
More than 10 years	15	25
Total	80	100

Source: Primary Data, 2022

The study requested respondent to indicate the number of years they had served for. From the findings the study established that 35% of the respondents had worked for a period of ranging 6 to 10 years, 30% of the respondent indicated that they had worked for a period ranging between 2 to 5 years, 25% of the respondents had served for more than 10 years, and finally 10% of the respondents indicated to have worked for a period of less than 2 years, this implies that majority of the respondents had served for a considerable period which indicates that most of the respondents had vast knowledge which could be relied upon by this study.

Record keeping**Table 5: Extent to which recording keeping influences the management of public funds**

	Frequency	Percentage
Very great extent	25	20
Great extent	40	70
Moderate extent	15	10
Total	80	100

Source: Primary Data, 2022

The study sought to establish the extent to which record keeping influences the management of public funds in Adjumani district. From the findings 70% indicated a great extent, 20% of the respondents indicated to a very great extent whereas 10% of the respondents indicated to a moderate extent. This implies that record keeping affects management of public funds to a great extent.

Table 6: Effects of Record keeping on the management of public fund

Statement	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed	Mean	Standard deviation
Ensures genuineness of the transaction	8	9	2	1	0	1.40	0.21
Helps to know relevance of the transaction	12	4	3	1	0	1.50	0.24
Facilitates proper allocation of capital, revenue and expenditure	11	8	0	1	0	1.00	0.26
Detects frauds and errors	10	5	2	3	0	1.40	0.19

Ensures proper accounting	6	10	4	0	0	1.60	0.21
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Source: Primary Data, 2022

The study sought to established the level at which respondents agreed or disagreed with the above statement relating to record keeping on the management of public fund, from the findings the study established that majority of the respondents strongly agreed that measures that can enhance the efficacy of management of public fund are important to facilitates proper allocation of capital, revenue and expenditure as shown by mean of 1.00, helps to know relevance of transaction is shown by mean of 1.05, detects frauds errors as shown by 1.40, finally others agreed that it ensures proper accounting as shown by a mean of 1.60.

Accountability

Table 7: Extent to which accountability affects management of public funds

	Frequency	Percentage
Very great extent	25	20
Great extent	40	70
Moderate extent	15	10
Total	80	100

Source: Primary, 2022

The study sought to establish the extent to which accountability affect management of public funds. From the findings 70% indicated to a great extent, 20% of the respondents indicated to a very great extent whereas 10% of the respondents indicated to a moderate extent. This implies that accountability affect the management of public funds to a great extent.

Table 8: Effects of accountability on management of public funds

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
Helps in checking costing orders,	7	10	3	0	0	1.25	0.22

<i>and reconciliation</i>							
<i>It leads to transparency and good governance minimizes corruption within government</i>	8	11	1	0	0	1.49	1.26
<i>It helps in the preparation of budget</i>	6	13	1	0	0	1.45	0.28
<i>Efficiency and effectiveness of how money is managed</i>	8	10	2	0	0	1.30	0.23

Source: Primary Data, 2022

The study sought to determine the level at which respondents agreed with the statements that relating to accountability on public management, from the findings the study established that majority of the respondents strongly agreed that accountability helps in the preparation of budget as shown by mean of 1.45, efficiency and effectiveness of how money is managed as shown by mean 1.30, helps in checking costing orders, invoices and reconciliation as shown by mean 1.25 in each case, and finally that transparency and good governance minimizes corruption within government as shown by a mean of 1.49.

Monitoring

Table: 9 Extent to which monitoring influences management of public funds

	<i>Frequency</i>	<i>Percentage</i>
<i>Very great extent</i>	25	20
<i>Great extent</i>	40	70
<i>Moderate extent</i>	15	10
<i>Total</i>	80	100

Source Primary Data, 2022

The study sought to establish the extent to which monitoring affect management of public funds. From the findings 70% indicated to a great extent, 20% of the respondents indicated to a very great extent whereas 10% of the respondents indicated to a moderate extent. This implies that monitoring affects management of public funds to a great extent.

Table 10: Influences of Monitoring on management of public funds

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
<i>Helps to know whether we are on track with the implementation of work plan</i>	11	4	5	0	0	1.15	0.23
<i>We are able to make corrective measures to ensure that we achieve the objectives we had set ourselves.</i>	7	10	3	0	0	1.45	0.22
<i>Helps us to identify the good practices for replication and discarding what does not work.</i>	5	10	2	3	0	1.90	0.19
<i>It provides planners and technical planning committees with the necessary information.</i>	5	14	1	0	0	1.55	0.30

Source: Primary Data, 2022

The study sought to determine the level at which respondents agreed with the statement that relating to monitoring on management of public funds, from the

findings the study established that majority of the respondents strongly agree that monitoring helps us to identify the good practices for replication and discarding what does not work as shown by mean of 1.90, provides planners and technical planning committees with the necessary information as shown by mean of 1.55, able to make correct measures to ensure that we have achieved the objectives we have set ourselves as shown by mean of 1.45 and finally helps us to know whether we are on track with the implementation of our work plans.

Conclusion

The study revealed that there was greater variation in management of public funds of Adjumani district due to changes in external audit practices; this shows that changes in management of public funds could be accounted for by changes in record keeping, accountability and monitoring. It is evident that as much as external audit practices such as record keeping, accountability and monitoring exists in Adjumani district, it is adequate and efficient in management of public funds. This therefore calls for other stronger and effective auditing genre (internal auditing or statutory auditing) to help the local government improve on accountability, quality service delivery and economic efficiency alias performance of the local government appropriately.

Recommendations

There is need for the external auditors continuously update themselves with the changing times and technologies and sharpen their skills. By applying skills to the most critical points, building personal and professional credibility and recognizing and responding to the needs, external auditors can become indispensable thus speeding good governance and enhancing efficiency of external audit. The head of the external audit department should be responsible to the administration at Adjumani district local government bottling with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

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