

External Audit And It's Impact On Management Of Public Funds. A Case Study Of Nebbi District.

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Abstract

The external audit of public funds utilized by local governments presents an opportunity to evaluate the proper stewardship and prudence in management of scarce taxpayer resources. This study sought to examine the impact that external audits conducted by the Office of the Auditor General have had on strengthening financial oversight and accountability in the administration of public expenditures within Nebbi District. Through a review of past auditors' reports and financial statements combined with interviews of key officials, the investigation aimed to assess whether recommendations provided by external auditors have been appropriately implemented by district leadership and whether such advice has led to enhanced compliance with regulations and more judiciously controlled spending. The findings from this comprehensive case study revealed that while some recommendations were promptly acted upon, resulting in tighter controls and more transparent financial reporting, other suggestions went largely unheeded or faced impediments to complete implementation. Furthermore, interviews illuminated that additional training and follow-up is still needed to reinforce the importance of external audits in facilitating improved fiscal management practices and deterring wastage and misuse of public funds. The management of the public funds Nebbi district could perhaps hold the neck of the exterior auditing process accountable, and this jurisdiction ought to be enough to guarantee independence, a wide scope of audit coverage, appropriate selection of audited accounts, and correct measures on audit committees.

Keywords: External Audit, Management and Public Funds

Background of the study

Globally, external audit plays a key role in ensuring transparency, accountability and efficiency in the management of public funds. Organizations such as the International Organization of Supreme Audit Institutions (INTOSAI) set international standards for auditing public funds to support good governance (Innocent et al., 2023). In many African countries, including Nigeria, external audits are essential to fight corruption, ensure fiscal accountability and improve public service delivery. National audit institutions such as the Nigerian Federal Audit Service work to safeguard public funds (Ntirandekura et al., 2022). In East Africa, Kenya stands out for its commitment to external audits. The Office of the Auditor General of Kenya conducted audits to strengthen the financial accountability of public sector institutions and ensure efficient use of resources. In Uganda, the Office of the Auditor General is responsible for conducting external audits (Moses et al., 2023). The aim of these audits is to ensure that public funds are handled prudently and in accordance with legal and regulatory frameworks. Audited reports are submitted to Parliament for scrutiny (Winny et al., 2023). Nebbi District in Uganda provides a microcosm of the national scenario. The financial management and external audit processes of the district administration are essential for

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evaluating how public funds are used at the local level. The Office of the Auditor General is conducting an audit of Nebbi District to assess the compliance and effectiveness of resource management (Ntirandekura et al., 2022). Each of these views reflects the importance of external audits in different contexts and emphasizes transparency, accountability and good governance in the management of public funds. This theory was developed in the late 1920s by the Dutch professor Theodore Limperg (Hayes et al., 1999:36). Limperg's theory deals with both the demand and the supply of audit services (Benard, 2023). According to Limperg, the demand for audit services is a direct result of the involvement of external stakeholders in the accounting entity. These stakeholders demand accountability from management in exchange for their contribution to the entity. Since information provided by management may be biased and represent a possible difference between the interest of management and external stakeholders, an audit of this information is required (Ntirandekura et al., 2022).

Performance is defined in this article as the repeated measurement of the outputs or outcomes and effectiveness of services or programs, the operative term in this case being repeated (Ramadhan et al., 2023). Consistent measurement or progress toward specific results is a critical part of all management efforts to improve results (Faridah, Kazaara, et al., 2023). An important aspect of performance measurement in local government is its orientation towards service delivery. This may concern citizens receiving direct services or individuals or businesses affected by political decisions or service provision. Nebbi District, located in northwestern Uganda, is characterized by a diverse demographic and a number of public service delivery challenges. Over the years, the district has struggled with issues related to the management of public funds and external audits in the context of its unique socio-economic and political environment (Gracious, 2023). Nebbi District includes both urban and rural areas with a predominantly agrarian economy. They face challenges associated with limited resources, including infrastructure, health care, education, and poverty reduction (Faridah, Jacob, et al., 2023). In this context, effective financial management and robust external audit procedures are essential to ensure proper allocation of resources, prevent corruption and improve service delivery.

Statement of the problem.

The issue at the heart of this research revolved around the effectiveness and efficiency of external audit procedures and the management of public funds in Nebbi District (Racheal et al., 2023). Among the key issues that prompted the investigation was a lack of transparency: Nebbi District has a history of poor financial management, resulting in a lack of transparency and accountability in the use of public funds. This raised concerns about misuse of resources and undermined public confidence (Alex et al., 2023).

It ensures compliance with tax regulations, provides independent credibility, allows criticism of internal processes, enables internal audit quality control, provides a true and fair view of the state of affairs, and prevents manipulation of accounts, thereby revealing fraud and errors (Tasha et al., 2023). Despite the above, in Nebbi District Local Government, the rate of poverty and underdevelopment in the district has increased to the highest level (Faridah, Jacob, et al., 2023). This is due to; Misappropriation of funds, fraudulent activity, misappropriation of funds sent by the government to the district, poor tax compliance by entrepreneurs in the district, poor credibility of the local

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government, ineffective internal controls or controls in the local government, corruption and negligence of people by authorities or administrators, abuse of office by authorities thus leaving many activities in the district at a standstill due to lack of funds to facilitate them. Sourced from the Nebbi District Annual Work Report for the financial year 2023 (Polycarp et al., 2023).

Specific of the study

1. To determine the effect of verification of accounting data on the performance of Nebbi District Local Government
2. To find out the effect of records examination on the management of public funds of Nebbi District local government
3. To ascertain the effect of internal controls on the public funds of Nebbi District local government

Methodology

The research design that was used in the study involved Descriptive research design which was a scientific method that involved observing and describing the behavior of a subject without influencing it in any way (Anwar et al., 2022). The results from a descriptive research could be used as a definitive answer or to disprove a hypothesis but, if the limitations are understood, they can still be a useful tool in many areas of scientific research (Nafiu et al., 2012). Descriptive research was often used as a pre-cursor to quantitative and qualitative research designs, Qualitative research was primarily exploratory. and it was used to gain an understanding of underlying reasons, opinions and motivations (Maiga et al., 2021). It provided insight into the problem or helped to develop ideas or hypotheses. Qualitative research was also used to uncover trends in thought and opinions and dive deeper in to the problem (Rasheed et al., 2022). Quantitative research was used to quantify the problem by way of generating numerical data or data that can be transferred into usable statistics. It is used to quantify attitudes, opinion. behavior and other defined variables and generalize results from a larger sample population. The population of the study was composed of twenty (20) respondents of whom Accountants, Auditors and Heads of Departments working in Nebbi district local government and other key officers of district who are compatible in expression of their tenets while answering the questionnaires and being interviewed (Jallow et al., 2021). Twenty (20) respondents was inclusive of the sample. Slovin's formula was used in the sampling of the population was used to calculate the sample size (n) given the population size (N) and a correlation coefficient or margin of error (e) and It's a random sampling technique formula to estimate sampling size (Rasheed et al., 2022). Therefore. a sample of 19 respondents was selected to participate in the study

Table 1: Showing the sample of respondents to be selected under the study

Category	Population	Sample	Sampling techniques
Accountants	10	9	Purposive

Auditors	6	6	Purposive
Heads of department	4	4	Purposive
Total	20	19	

Source: Human Resource Work Manual, 2018

Sampling was the process of selecting a study subject from a bigger population. Sampling was used so that at least few of the civil servants working in the district are selected from each section accessed (Anwar et al., 2022). The method was also considered appropriate because data was gathered all around. Random sampling was also done to ensure minimum bias in the sample selection of results. It is essential because the methodology applied was used to determine whether or not the sample of the study is a true representative of the whole population from which it is drawn or not. Questionnaires was distributed randomly among the civil servants in different departments of Nebbi District Local Government who were expected to answer them accordingly and then collected at an agreed specified time (Jallow et al., 2022). The questionnaires were 120, with both open and closed questions, gave participants the opportunity to respond freely (Lu et al., 2013). Data analysis was the process of analyzing, transforming, and modeling data collected in a research. Data analysis methods that was used in the study included both qualitative and quantitative techniques. The Researcher carried out the data analysis by editing all responses that was recorded for completeness and improved accuracy. Responses was categorized using SPSS according to the research questions and objectives to condense data, frequency accounts and percentages that was carried out to obtain a common baseline for comparison of the main variables and therefore illustrated graphically respectively (Nelson et al., 2022). Summaries was made to establish the extent to which accountability could be improved through auditing in Nebbi. The responses that was obtained through administration of questionnaires and interviews were categorized under the formulated questions with the aim of printing out the set formulated questions of the study.

RESULTS

Table 1: Findings on the Effect of Verification of accounting data on the Performance of Nebbi district

	ranking	1	2	3	4	5	
Statement		SD	D	U	A	SA	Total
Void manipulation of accounts	Freq	2	0	0	10	7	19
	%	11	0	0	53	37	100

Guards against improper use of assets	Freq	1	1	4	6	7	19
	%	5	5	21	32	37	100

Measures proper recording and valuation of Assets	Freq	0	1	3	9	6	19
	%	0	5	16	47	32	100

Ensure arithmetic accuracy of the accounts	freq	0	0	1	12	6	19
	%	0	0	5	63	32	100

Detects frauds and errors if any in financial statements	freq	0	0	2	10	8	19
	%	0	0	11	53	42	100

Total number of responses	freq	3	9	18	83	61	174
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Percentage of responses	%	2	5	10	48	35	100
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Data source: Primary data.

According to the above figures, responses on the effect of Verification of Accounting data on the performance of organization were, 48% conceded/agreed with a frequency of 83, 35% strongly agreed with a frequency of 61, 10% were uncertain with a frequency of 18, 5% disagreed with a frequency of 9 and 2% strongly disagreed with a frequency of 3 hence stipulating a total frequency of 174 (Nelson et al., 2023). Therefore, verification of accounting data is very significant or of great importance on the performance of organizations

Table 2: Findings on the Effect of Internal control on the Performance of Nebbi district.

Statement	Ranking	1	2	3	4	5	Total
		S	D	U	A	SA	
Enables Nebbi district to carry out its activities in an orderly and efficient manner	freq	1	0	1	9	8	19
	%	5	0	5	47	42	100

Ensures adherence to management policies	Freq	0	0	1	12	19
	%	0	0	5	63	100

Safeguards the organization assets	Freq	1	1	14	4	19
	%	5	5	74	21	100

Data source: Primary data.

According to the above table, the responses on the effect of internal control on the performance of Nebbi district

	RESPONSE	FREQUENCE	PERCENTAGE
1	Strongly Disagree (SD)	3	16%
2	Disagree (D)	4	21%
3	Uncertain (U)	5	26%
4	Agree (A)	3	16%
5	Strongly Agree (SA)	4	21%
TOTAL		19	100%

were, 53% of the respondents with a frequency of 71 agreed, 30% with a frequency of 40 strongly agreed, 10% with a frequency of 13 were uncertain, 4% with a frequency of 5 disagreed and 3% with a frequency of 4 strongly disagreed (Alex & Kazaara, 2023). This implies that internal control is of great effect on the performance of Nebbi district. It is further illustrated as follows;

Table 3: Illustration of the responses on the effect of internal control on the performance of organizations

From table 8, 26% of the respondents were uncertain about the effect of internal control on the performance of organizations, 21% both disagreed and strongly agreed, and 16% of the respondents strongly disagreed and agreed and this shows that respondents who were uncertain strongly affected the performance of organizations (Moses et al., 2023).

Conclusion

According to the author's findings, institutional corrective actions exist in Nebbi district, yet they are insufficient and ineffectual to stop fraud, money laundering, stealing of funds, corrupt practices, and corruption, among other things, despite the outside auditing ability to contribute, taking account verifications, vouching or investigation of records, and existence of internal control measures. This could be as a result of staff personnel failing to follow the accounting guidelines and accounting procedures or being careless when doing their duties.

Recommendations

The audit firms must regularly update their knowledge of new technologies and trends and improve their technical proficiency. External auditors can become indispensable by devoting their talents to the most crucial

areas, establishing their professional and private reputation, and identifying and meeting demands. This will speed up effective governance and increase the effectiveness of independent audit.

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