

# Assessing External Audit Practices On The Management Of Public Funds In Uganda Case Study Gulu District

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**Abstract:** *This study sought to examine the external audit practices that were applied to evaluate the management of public funds in Gulu District, Uganda. Government entities at the local level receive substantial resources from taxpayers to finance service delivery and community development initiatives. However, allegations of misuse and misappropriation of these resources frequently emerge. External audits by the Office of the Auditor General are mandated to provide oversight over the use of public monies. However, the effectiveness of these audits in enhancing accountability and deterring financial misconduct had not been established in Gulu District. The research employed a mixed methods approach, collecting both quantitative and qualitative data. Government departments and agencies in Gulu District that were audited in the previous three fiscal years were surveyed using a structured questionnaire to gather information about the audit process and outcomes. In-depth interviews were also conducted with audit professionals and local government officials. Documents such as audit reports and financial statements were reviewed. The findings revealed that while external audits were routinely conducted, several weaknesses undermined their value in improving fiscal responsibility. 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. Gulu district should look forward to establishing internal checks and balances of all accounting/financial statements and transactions, ensure effective internal audit for the enhanced performance, ensure strong and denied access from the un authorized personnel to access the accounting information system, strictly safe guard the public assets and ensure proper utility or usage of the public assists, ensure frequent statutory audit for the local government among others hence improvement and enhancement of resource accountability, quality service delivery and economic efficiency.*

**Keywords:** 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 (Ivan et al., 2023a). 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. Any relationship between the external auditors and the entity, other than retention for the audit itself, must be disclosed in the external Auditor's reports (Moses et al., 2023).

External audit in developing countries is a practical guide for dealing with the day-today problems of keeping adequate records in public or private corporations-the key to proper public funds and management (T. Christopher, 2022). Because the economies and efficiency of state owned corporations are surrounded by some degree of controversy in developing countries, one is led immediately to expect a comprehensive analysis of the financial aspects of their management (Alex & Kazaara, 2023).

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 (Paul et al., 2023). 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 (Figure 1) (Innocent et al., 2023). A large number of actors engage in this "PFM cycle" to ensure it operates effectively and transparently, whilst preserving accountability

Public sector audit involves auditing a public entity's financial statements and other information (such as non-financial performance information) that the entity is required to have audited. Part of an audit will also consider sensitive expenditure and similar risks specific to the public sector (Polycarp et al., 2023).

There is an increasing focus on improving the quality of public funds management around the globe, with many countries in both the developed and developing world making important and impressive achievements in strengthening public funds management and governance (Racheal et al., 2023). Both the developed and developing countries continue to struggle with the increasing complexities of public funds and the pace of change.

Key drivers for improving financial reporting and auditing in the department of the Auditor General of Pakistan shows that in the early 1990s (David et al., 2023), as the government of Pakistan pursued its agenda on privatization of state owned entities and deregulation of the economy, the government realized that foreign investors, there was also an urgent need to initiate financial management and governance in the public sectors. Government recognized that the efficient use of public funds depended on the

availability of timely and relevant financial management information and the adoption of internationally accepted financial reporting, accounting, and auditing principles, best practices and standard (Ivan et al., 2023a). The Auditor General Report, Uganda (2005) observes that there was difficulty in assessing results in the public sector and huge amounts of public funds being used plus large scale operations, government has identified a crucial need for financial controls so as to ensure the optimal use of resources. Government has therefore established external financial, External financial controls include legislative approval, external auditing, public accounts committee review, budget and treasury departments, expenditure control, monitoring and corrective action by the Inspector General of Government, and other anti-corruption bodies mandated to carry out the activities (Faith et al., 2023).

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 (Phionah et al., 2023). 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 (A. G. Kazaara et al., 2023). In Gulu 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 (Ntirandekura 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**

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 (Ivan et al., 2023b). 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 (Winyi et al., 2023). 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 (Alex & Kazaara, 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 (Abiodun & Christopher, 2024). As a result, some officials have relied on the internal auditors and internal controls (Frank et al., 2023). This study will therefore examine the effect of external auditing practices on the management of public funds in Uganda, using Gulu District Local Government as a case study.

**Purpose of the study**

The purpose of these study was to examined the effects of external audit on public funds in Gulu district.

**Specific objectives**

1. To examine how record keeping influences the management of public funds in Gulu district.
2. To find out the extent to which accountability affects the management of public funds in Gulu district.
3. To examine how monitoring influences the management of public funds in Gulu.

**Methodology**

The research was descriptive cross-sectional survey design where data was collected from a cross the population at one point in time. This design was cheap, less time consuming and easy data collection and analysis (Olanrewaju & Abiodun, 2021). Both qualitative and quantitative data collection was used during the data collection. The population of the study was composed of 80 respondents from central division and sub counties (Rasheed et al., 2022).50 respondents were from central division while the 30 respondents were from the sub-counties. Slovene's formula was used to compute the sample size. This formula was be 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 (Maiga et al., 2021).

**Table1. Population and sample size table.**

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

<b>Total</b>	80	<b>67</b>
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### Source field

The study used a technical of stratified random sampling (Olanrewaju et al., 2021). The respondents of this study are divided into two categories 50 works in central division, 30 works in sub-counties. The study used questionnaires, guided interviews, guided observation, and record sheets (Jallow et al., 2022). This was because of the nature of data to be collected, the time available, as well as by the objectives of the study. The overall aim of this study is to evaluate the relationship between external audit and management of public funds in Gulu district (Kinyata & Abiodun, 2020). The researcher was concerned with views, option, perception and feelings from the environment. Such information was collected through the questionnaires, and interviews, and because the study was conversed with variable that cannot be directly observed (Lu et al., 2013). The sample size was also quite large, and given the time constraints and target population was literate and unlikely to have difficulties in responding to questionnaire items, questionnaire is ideal tool for collecting data (Jallow et al., 2021). Questionnaires were used to examined: how record keeping influences the management of public funds, to find out the extent to which accountability affects the management of public funds and to examine how monitoring influences the management of public funds in Gulu district (Nafiu et al., 2012). The questionnaires were self-administered and closed ended so as save time and enable respondents to give relevant choice since different options was given (Nafiu et al., 2012). This method of data collection is preferred for this study because it gives freedom to respondents to give their truthful opinions since there was no one to challenge their answers as it is in the case of interviews (Nafiu, 2012). These gave a complete confidence to respondents to effectively answer questions asked without feeling shy or being scared. The scoring system of this instrument were based on the five scales or Likert type scale of rating involving: 1=very low, 2= low, 3= moderate, 4= high, 5= very high (Nafiu et al., 2017). To insured the validity of the questionnaire and interview guide; some two experts in research was involved. In this regard, after constructing the questionnaires and interview guide, was submitted to two experts to ensure their validity through their duties 'basis (Nafiu et al., 2013). This was based on alpha coefficient value of 0.7 and more. Thus, after the expert judgments, the compilation of the responses from raters was computed to determine the content validity index (CVI). If the coefficient computed is from 0.7 and above, the instruments was considered to be valid but if it is less, the instruments was considered to be invalid so new ones was made. During this process of data analysis, the researcher used frequencies and percentage distribution to analyze data on profile of respondent. Mean and standard deviation was used to determine the level of performance of central division. Items/respondents answer analysis helped to demonstrate strength and weakness of respondents on the sub-counties in Gulu district. Data was analyzed inform of tables, frequencies and percentages using SPSS & STATA (Nelson et al., 2022)

## RESULTS

### Record keeping

**Table 2: 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, 2023**

The study sought to establish the extent to which record keeping influences the management of public funds in Gulu 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 (F. Christopher et al., 2022).

**Table 2: Effects of Record keeping on the management of public fund**

Statement	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed	Mean	Std 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

**Source: Primary Data, 2023**

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 (Nelson et al., 2023).

**Table 3: 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, 2023**

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 (Musaibah et al., 2023).

**Table 4: Effects of accountability on management of public funds**

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
Helps in checking costing orders, and reconciliation	7	10	3	0	0	1.25	0.22
It leads to transparency and good governance minimizes corruption within government	8	11	1	0	0	1.49	1.26
It helps in the preparation of budget	6	13	1	0	0	1.45	0.28
Efficiency and effectiveness of how money is managed	8	10	2	0	0	1.30	0.23

**Source: Primary Data, 2023**

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 (A. G. Kazaara et al., 2023).

**Table: 5 Extent to which monitoring influences 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, 2023**

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 6: Influences of Monitoring on management of public funds**

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std deviation
Helps to know whether we are on truck with the implementation of work plan	11	4	5	0	0	1.15	0.23
We are able to make corrective measures to ensure that we achieve the objectives we had set ourselves.	7	10	3	0	0	1.45	0.22
Helps us to identify the good practices for replication and discarding what does not work.	5	10	2	3	0	1.90	0.19

It provides planners and technical planning committees with the necessary information.	5	14	1	0	0	1.55	0.30
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**Source: Primary Data, 2023**

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 (A. I. Kazaara et al., 2024), 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 truck with the implementation of our work plans.

**Conclusion**

The study revealed that there was greater variation in management of public funds of Gulu district due to changes in external audit practices; this shows that changes in management of public funds could 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 Gulu 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 Gulu 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.

The head of the external audit department should be reasonable to the management/board in the organization with sufficient authority to promote independence.

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