



CONTRIBUTION OF EXTERNAL AUDITING TO THE PERFORMANCE OF PUBLIC INSTITUTIONS IN RWANDA. A CASE STUDY OF MUSANZE DISTRICT (2013-2015)

BY

¹Mr. Anastase NSHIMIYIMANA (Msc.), ²Mrs. NTAWIGENERA Janvier (Msc.), ³Mr. Francois Xavier HAGENIMANA (Msc.)

^{1,2,3}Researcher, INES Ruhengeri, Musanze, Rwanda



Article History

Received: 01/12/2024

Accepted: 05/12/2024

Published: 07/12/2024

Vol –3 Issue – 12

PP: -52-64

Abstract

This dissertation is entitled “the contribution of external auditing on the performance of the public institutions in Rwanda, especial Musanze district. The specific objectives of this study were to find out how external audit is applied by Musanze District, to analyze the level of performance in Musanze district, to establish the relationship between external audit and performance of Musanze district. This study was guided by the following questions: How the external audit does applied in Musanze district? what is the level of performance of musanze district? what is the relationship between external audit and performance in Musanze District? A questionnaire was distributed to 67 respondents and interviews were conducted with key informants from Musanze district employee and staff. The results show a variation of -5% in operating revenue in 2013 to 2014 and an increase of 17% in 2014 to 2015 if comparing its operating revenue. The results also indicate the same variation in total revenues. Furthermore the results indicate that Musanze district net financial assets were decreased in the period 2013 to 2014 by 103% while in 2014 to 2015 the amount has been increased more than twice as the variation was 206%. The study concluded that within Musanze district in 2015 there is good performance in term of revenue and assets value position. The model summary table shows R square used as test for model fitness. From the results, it was found that the five independent variables (control environment, control activities, risk assessment, monitoring, information and communication moderately predict the performance of public institution (adjusted R squared = .836). That means the model explains 83.6 % the variance in the performance of public institution. And the study provide the following recommendations that constant training to auditors of public institutions should be organized to improve their skills level, an external auditor should be independent from the public institution in order to perform their activities independently and financial motivation for external auditors should be applied to increase their efforts as external auditors.

Key words: AUDITING, EXTERNAL AUDITING, PERFORMANCE, PUBLIC INSTITUTIONS

INTRODUCTION

According to Hall (2000), the use of tea as medicine, elixir, and beverage emerged around 2737 B.C. from the known father of medicine and agriculture, Shen Nong. Shen Nong saw how a stray tea tree leaf added a fragrant character to the pot's boiled water. According to Vilani-Sachitra (2014), numerous researchers have underlined economic integration, globalization, and technical improvement as bolstering elements of export development (Keter, 2012).

Worldwide Tea is a popular refreshing beverage all around the world. It has been unified with the world culture, especially in Indonesia and Asian countries as for example Indonesia produced 162,587 tons of tea in 2000. Unfortunately, its production had declined as much as - 0.58%/year to a total of 140,236 tons in 2018 (Directorate

General of Plantation, 2019). In addition, domestic tea consumption declined from 2002 to 2008 and did so at a pace of 4.75% annually. The average annual domestic tea consumption was only 0.35 kg. Turkey, on the other hand, consumed the most tea globally in 2011.

Improved competitiveness is required to retain commodities existence and dominance in Southeast Asia markets. High export volume from Southeast Asian countries fluctuates as well. This change was most likely caused by factors affecting tea volume output to destination countries. The volume of exports determines the volume of output, domestic consumption, export price, exchange value, interest rate, importer's GDP per capita, economic gap, and free trade agreement (Amoro & Shen, 2013; Inayah et al., 2016). The



world pricing, world export aggregate, and trade level all have an impact on export volume (Verter & Beváová, 2014).

With economic development and the establishment of development theories, the concept of competitiveness has developed over time. Classical economics saw competitiveness as a result of market mechanisms that compel firms to compete in the creation and distribution of goods and services at the greatest feasible price and quality. Export development is critical for encouraging economic growth and development. It makes a substantial contribution to increasing capital inflows, reducing trade balance deficits, achieving balance of payment (BOP) surpluses, increasing employment, and expanding a nation's production base.

As a result of increasing size of international trade, the concept of export competitiveness plays a vital role in international trading system (Uwimana *et al.*, 2016). Export competitiveness has been paid more attention in order to develop export portfolio of nations. To promote economic development and survival in the global competitive market, export competitiveness is an essential component of a country.

The world's economic, social, cultural, and technical developments make it challenging for organizations to compete. The acceleration of globalization, international trade ties, and the reduction of trade barriers has exposed the need for organizations to conduct continual self-evaluations in order to achieve their core objectives. The organizations' key goals are to gain a substantial portion of an expanding market, convert dangers into opportunities, and survive. Organizations that are managed to achieve these goals will acquire a competitive advantage. In trading, innovation is becoming increasingly important as a source of competitive advantages, and it has been shown to enhance export success (Ozcelik & Taymaz, 2012).

The African tea lands range from the gentle hills of Cameroon in the west to the high plateaus and mountain slopes on both sides of the Great Rift, which cuts steeply down through the African continent's east. Commercial tea planting was primarily carried out during colonial control. Tea was so cultivated by British immigrants in the early twentieth century in Kenya, Uganda, Malawi, and Tanzania, and was introduced in Zimbabwe in the 1920s and West Cameroons in the 1950s. Tea was cultivated in Mozambique by Portuguese immigrants in the 1930s, and by Belgian settlers in the Democratic Republic of the Congo (DRC) in the 1940s, Burundi in the 1930s, and Rwanda in the 1950s (Rwigema, 2021).

Tea production in Rwanda began in 1952 and has contributed significantly to foreign exchange revenues over the years. Rwandan tea is grown on hillsides between 1,900m and 2,500m in elevation, and on well-drained marshes between 1,550m and 1,800m. Tea production has continuously expanded, from 60 Metric Tons in 1958 to almost 30,000 Metric Tons presently. Rwanda tea is well-known for its exceptional quality and is regarded as one of the best in the world. Rwandan teas of high quality include black tea,

orthodox tea, white tea, green tea, organic tea, and spicy tea (Uwimana *et al.*, 2018).

Rwanda tea is well-known for its exceptional quality and is regarded as one of the best in the world. Rwanda tea is now highly appreciated in the mostly weekly tea auction market, resulting in a steady increase in unit price over the last few years (Mukantwari, 2011). Rwanda has been gifted by nature with the best ecological circumstances, making Rwanda Tea distinct and constant in quality. Black tea (CTC) is rated among the best in the world due to strong manufacturing processes, garnering premium prices through direct contracts or the auction market. Rwanda tea has gained enormous global acceptability because of its quality, bright color, and distinctive flavor. It is renowned all over the world as a superior beverage.

One of the biggest tea factories in the nation, SORWATHE produces an astounding five million tons of tea annually, or 15% of all the tea produced in Rwanda (Muhamadi & Boz, 2021). With a primary focus on the export market, the Crush Tea Curl (CTC) plant has four complete lines of modern equipment, including computerized monitoring. It complies with all relevant international moral and professional standards. 20% of crops are produced on traditional plantation models in the field, and the remaining 80% are produced by cooperatives of smallholders. Sorwathé is certified by the Rainforest Alliance, Fairtrade, and Ethical Tea Partnership, according to Wamukui *et al.* (2015). Recent estimates indicate that the project is currently helping about 10,000 people.

The current study is important to the researcher because it gives them a sense of digging into the competitiveness of Rwandan tea exports and gives them some insight into the import-export relationship. Additionally, the outcomes of their research allowed the researcher to graduate. From a scholarly standpoint, this is the first investigation to focus on tea export competitiveness.

Tea generates twice as much net foreign exchange as other products; tea is essential to the country's economy because of its potential to produce jobs. The labor-intensive nature of the production structure of tea generates a high level of employment. The tea business has made important contributions to the country's economic prosperity. Tea is one of the top beverages consumed among all economic strata just second to water. It is regarded as a health beverage and is gaining popularity among young people worldwide.

OBJECTIVES

The general objective of this study is to find out the contribution of external auditing on the performance of the public institutions in Rwanda. Specifically, the study achieved the following objectives;

- To find out how external audit is applied by Musanze District.
- To analyze the level of performance in Musanze district.
- To establish the relationship between external audit and performance of Musanze district.

PROBLEM STATEMENT

External auditing is performed in accordance with specific laws or rules, of the financial statements of the company, government entity, other legal entity, or organization, and is independent of the entity being audited. Users of these entities financial information, such as investors, government agencies, and the general public, rely on the external auditors, to present an unbiased and independent audit report (Ahlawat, D., Gerard, B. & Emmy, Z, 2014).

However, many public institutions in Rwanda have not been efficient in their implementation of external audit procedures and this has consequently led to poor financial performance, lack of control and poor implementation of external audit output. In spite of the functions of external audit, lack of proper management in public institution continues to cause the huge losses of the state government funds. Through this improper management, it is learnt that, some government officials continue to cause government huge losses by recruitment of unskilled personnel and there may be either conspiracy or deliberate misplacement or non-existence of transaction documents such as delivery notes and Performa invoices.

Therefore, this study is aimed at assessing of the contribution of external auditing on the performance of the public institution in Rwanda, a case study Musanze District. The findings from this study will be helpful in the decision making of future investors

LITERATURE REVIEW

Theoretical framework

This party deals with the theories reliable to the research, in which the theory related to auditing and external auditing and performance in public institution.

Theory related to auditing and external auditing

Auditing is a professional activity that controls, investigates and finally expresses an opinion on the performance of institutions. Internal auditing is a continuous appraisal of the company's operations, processes and activities aimed at enhancing strong controls which will enable the management to manage better (Brenda *et al.*, 2003). Flint (1988) further explains, the audit function has evolved in response to the perceived need of individuals or groups in society who seek information or reassurance about the conduct or performance of others in which they have an acknowledged and legitimate interest. Flint (1988) argues that audit exists because interested individuals or groups are unable for one or more reason to obtain for themselves the information or reassurance they require. Hence, an audit function can be observed as a means of social control because it serves as a mechanism to monitor conduct and performance, and to secure or enforce accountability. In the foreword to the accountability and audit of governments made the following remark: "without audit, no control; and if there is no control, where is the seat of power? All in all, an audit function plays a critical role in maintaining the welfare and stability of the society.

External auditing practice

According to Frank & Goyal (2003), every organization aims at making profit which involves calling for external auditor to enhance organizational profitability so as to improve their overall performance. Pany (1998) in his study entitled role of internal auditing on efficient and effective financial management of public sector wealth risk assessment, control activities, information and communication, monitoring and control environment are the auditing practice.

Control environment

The control environment is the foundational context within which the other aspects of internal control operate (Konrath, 1999). The philosophy and management style, organizational structure, methods of imposing control, assignment of authority and responsibility are all key aspects of the control environment (Jones, 2007).

Risk assessment

Risk assessment is the process used by an organization (management) to decide how it will deal with the risks that pose a threat to achieving its objectives (Furrugia, 2002). It entails the identification and prioritization of objectives, the identification of risk assessment of their likelihood and impact. Therefore (Jones, 2007) Looked at risk assessment as identification, evaluation and management of risks. He further notes that risks can relate, to financial statement fraud or to the misappropriation of assets.

Control activities

Control activities are the policies and procedures implemented by an organization to ensure that management's directives are carried out. These activities are often grouped into the three categories of objectives to which they relate, namely, operations, financial reporting, and compliance (IIA, 2006). He further argues that these control activities include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of asset, segregation of duties and authority.

Information and communication

Information and communication refer to the system put in place by an organization to identify, capture, process and report relevant and reliable information in a timely manner so that people can carry out their responsibilities effectively (Britnel, 2001). In addition, these systems deal with both internally and externally generated / required data and flows both vertically and horizontally in the organization.

Monitoring

This refers to the process of assessing the quality of a system's performance over time (Jones, 2007). It entails the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objectives (Coffin, 2003). Monitoring activities may be ongoing or may be separate evaluation and it is important given the complex and dynamic environments faced by most organizations seek to ensure that systems are performing as intended (Henle, 2005). However this is skilled through going monitoring activities, or a combination of the

two (COSO, 1994). He further contends that these activities permeate the entire organization, at all levels and in all functions.

Advantages of auditing

Auditing is periodic examination of the books of account and records of an entity carried out by an independent third party (the auditor). To ensure that they have been properly maintained, are accurate and comply with established concepts, principles, accounting standards, legal requirements and give a true and fair view of the financial state of the entity. **The following are advantages of external auditing:**

1. It provides assurance and credibility to the accounts in the audit report, and this is crucial to all parties who have an interest in the company.
2. In case of fire or any other catastrophe, the insurance companies will settle the claim of the business on the basis of audited accounts of previous years.
3. Audited accounts by independent auditors minimize chances of disputes among partners in a business like in profit and asset sharing (Konrath, 1999).
4. In case a new partner wants to join the existing partner, audited accounts will serve as a basis for such admission, to determine how much such a partner has to contribute to existing capital.
5. Third parties who do not take active part in the running of the business are protected by the auditor's presence in the business and thus, their financial interest will not be at stake.
6. The audited accounts are used as a basis for borrowing finance from banks and other financial institutions, as they will highlight the company's financial performance which is crucial to lenders.
7. Audited accounts are acceptable as a basis of the asserting tax liability and these are usually accepted by the income tax department for the settlement of income tax for the years.
8. If the business is to be sold as a growing concern, its price can be fixed on the basis of the audited balance sheet of the previous year.
9. The audit will serve as a detective and a preventive measure against errors and frauds in the business.
10. An audit keeps the client's account clerks vigilant and up to date because if they are not the auditor will report such and they can be apprehended.
11. During the course of the audit, the auditor will provide general advice to management. For instance in financial planning, tax planning, internal control systems and the general management of the business.
12. Audited accounts provide assurance to all parties that the company has observed statutory requirements during its operations. For example the partnership acts, cooperative act and companies' (Saito *et al.*, 2010).

Objectives of government audit

According to Saleemi (1997), the following are the objectives of the government audit:

1. To see whether the payment is to be debited to the personal of a contractor or an employee or any other individual and whether such a payment is recoverable from such a person under rule or order.
2. To see whether the government servant has exercised the same amount of care and vigilance in the matter of expenditure as he would have done in case of his own money.
3. To see whether the payment has been properly and correctly classified.
4. To see whether official has exercised his power to benefit him directly or indirectly.
5. To see whether the sanctioned expenditure has been incurred by an officer competent to incur such expenditure.
6. To see whether the expenditure has been properly sanctioned according to the rules and regulations.
7. To see whether expenditure is not more than occasional demands.
8. To see whether there is a provision of fund for the expenditure and whether competent authority has duly authorized such a fund and to see that the amount spent is reasonable.
9. To see while auditing the stores and stocks, whether they are properly and accurately valued, if priced amounts are maintained.
10. To see while checking the receipt that the money due from others is regularly recorded and checked against payment already made, and that the amount received is duly credited to the account concerned.
11. To see that the stock taking of stores is periodically done or such stores are verified with the balance as shown in the stock register.
12. To see that the amount of allowances such as traveling allowance is so regulated that it may not become a source of income to the recipient.

The needs for external auditing in public institutions.

Literally, thousands of federal, state, and local government units annually administer public assistance programs involving billions of taxpayers' dollars. Lawmakers, public officials and the public rely on auditors to assist them in determining whether taxpayers' money is being spent properly and efficiently, and government programs are meeting their objectives. (Woolf, 2009) indicates that the growth in government programs and the need for more and better accounting and auditing coverage has increased the demands and opportunities for independent public accountants to provide auditing services to the governmental sector: equally so, government ministries and public enterprises are subsequently audited for the expression of an opinion on the use of public resources on behalf of the public and donor agencies (Hussey, 2015).

Function of external audit

The General Accounting Office (GAO) to the United States issued standards in 1972 collectively referred to as the ‘ ‘yellow book’ ’.the standards were revised in 1981. According to Woolf, (2009) the revised yellow book states that an expanded scope audit of a governmental organization, program, activity, or function should include the following elements:

1. Financial and compliance : determines a) whether the financial statements of the audited entity present fairly the financial position and the results of financial operations are in accordance with GAAP and b) whether the entity has complied with laws and regulations that may have a material effect upon the financial statements.
2. Program results: Determines whether the desired results or benefits established by the legislature or other authorizing body are being achieved and whether the agency has considered alternatives that might yield desired results at a lower cost.
3. Economy and efficiency

It’s determines:

- a) whether the entity is maintaining and utilizing its resources (such as personnel , property) economically and efficiently ,
- b) The causes of inefficiencies or uneconomical practices,
- c) Whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

However, the yellow book indicates that an audit of a government entity may include all the three of the above elements or only one or two. The GAO does not intend or even maintain that it is feasible or desirable that every audit includes all the three elements. The expanded scope audit should not be conducted routinely; instead, it should be conducted selectively to meet the needs of expected users of the audit results.

Difference between internal and external auditing

1. Appointment

The internal auditor need is appointed by the management while the external auditor is appointed by the shareholders except in certain cases where he is appointed by directors of the company or the government.

2. Qualifications

The internal auditor need not posses any qualifications governed by the any statute, the external auditor must be qualified according to the companies act.

3. Status

The internal auditor is an employee of the company whereas the external auditor is an independent contractor.

4. Objective

An internal auditor tries to find out whether any errors or frauds have been committed whereas the external auditor has to report whether the balance sheet and profit and loss account have been drawn up in conformity with the law and whether

they show a true and fair view of the state of affairs of the company thus detection of fraud and errors are incidental duties of the external auditor.

5. Conduct of the audit

The internal audit is normally a kind of a continuous audit whereas the statutory audit (external audit) is conducted after the preparation of final accounts (financial year end).

6. Remuneration

The remuneration of the internal auditor is determined by the management whereas that of the external auditor is fixed by the shareholders.

7. Report

The external auditor has to submit a report to the shareholders whereas the internal auditor does not submit such a report.

8. The internal auditor can be removed by the management or directors whereas the external auditor can only be removed by shareholders.

9. The internal auditor has to check all the transaction whereas the statutory auditor will apply test checks.

Theory on the performance

The term performance is hard to define or categorize, but its broadness is precisely the characteristic that compels certain artists to work within the field. Performance allows for endless possibilities and experimentation and that is why it is not uncommon for performances to be early manifestations of avant-gardes practices. Limitations or condition to what performance is often myths that concur as a byproduct of the conventions of theater (Alexandra, 2012). In the following list, I will try to unravel some of these myths as I disambiguate the meaning of the term performance and in doing so, I will hopefully also nullify some limitations that are often given to performance art.

Performance measurement

Performance measurement is a fundamental building block of Total Quality and Management (TQM) and a total quality organization. Historically, organizations have always measured performance in some way through the financial performance, be this success by profit or failure through liquidation.

However ,traditional performance measures, based on cost accounting information ,provide little too support organization on their quality journey, because they do not map process performance and improvement seen by the customer as well as by the results delivered to other stakeholders ,such as the shareholders.

In the cycle of never-ending improvement, performance measurement plays an important role in:

- a. Identifying and tracking progress against organizational goals
- b. Identifying opportunities for improvement
- c. Comparing performance against both internal and external standards.

Principles of performance measurement

All significant work activity must be measured:

1. The performance indicators will be reviewed and improved on an ongoing basis. It is only by gaining experience measuring performance that you can really refine and improve the process.
2. Performance indicators should be simple, valid, reliable, affordable and relevant to the activity or process being measured.
3. The performance measurements systems should be positive, not punitive.
4. The performance measurement systems, including data collection, should be simple and cost-effective; this system indicates how the organization can collect data by using simple techniques without spending much more time and money.
5. Outcomes and results must be clearly defined; meaning that the outcomes and results must be matched to the targeted goals and objectives of the organization so that any part concerned can be aware of the work done and achieved (Hussey, 2015).

Good Performance Measures

Good performance measures are: Relevant, Understandable, timely, Comparable, and Reliable. 1. Relevant measures matter to the measures are clear, concise, and easy for a non-specialist to comprehend. This applies to language used in the title and description, and to technical aspect of the measure such as the scale used in charts or selection of the targets.

1. Timely measures have information available frequently enough to have value in making decisions.
2. Reliable measures have data that is verifiable, free from bias, and an accurate representation of what it is intended to be.
3. Comparable measures have enough data to tell if performance is getting better, worse or staying about the same. They also provide the reader with a frame of reference or context to tell if current performance meets or exceeds expectation.
4. Useful measure help people doing the work understand what is happening with their business process, and how to get better results for customers.
5. Feasible data is on hand or the agency can reasonably expect to collect it. references Government Accounting Standard Board (GASB), performance reporting for government, characteristics performance information should possess adopted from, GASB concepts statement, service effort and accomplishment reporting.
6. Understandable measures are clear, concise, and easy for a non-specialist to comprehend. This applies to language used in the title and description, and to technical aspects of the measure such as the scale used in charts or selection of performance targets.

Performance of public institution

Public institutions good performance has significant contribution to the people's income and has a recognizable

influence on increasing of GDP. Public institutions performance is measured under the following statements:

Efficiency

The efficiency of public expenses implies a relation between the economic and social effects resulted from implementing a program and the effort made to finance that program in the external audit process is assessed principally in relation to the timely identification and resolution of areas of accounting judgment, the quality and timeliness of papers analyzing those judgments', management's approach to the value of independent audit and the booking of any audit adjustments arising and the timely provision of draft public documents for review by the auditors and the Audit Committee (Mandy *et al.*, 2008).

Effectiveness

Effectiveness of the external audit process and audit quality which includes the following areas: The audit partners with particular focus on the lead audit engagement partner, the audit team, planning and scope of the audit and identification of areas of audit risk, the execution of the audit, the role of management in an effective audit process, communications by the auditor with the Audit Committee, how the auditor supports the work of the Audit Committee, how the audit contributes insights and added value, a review of independence and objectivity of the audit firm and the quality of the formal audit report to shareholders

Good infrastructures

Good infrastructure system ensures that we are able to move good and services, but also people in the most effective ways possible. In order to attract and retain quality jobs, communities need functioning infrastructure.

Good infrastructure properly designed can reconnect the social fabric of communities. But a singular focus on road construction can harm communities. As the federal urban renewal program taught us, construction of roads can destroy communities. Infrastructure can unite us when projects bring amenities and multiple transportation modes to communities (Musanze, 2016).

Increase in people income

The major source of the funding for the costed activities in DDP will be mostly from the district income generation and other supporting projects from various development partners. However, the central government will take the lead in the financing of the sectors to be implemented by the district as they have been costed by the sectors through various ministries. The process of financing will be based on the trend of implementing EDPRS 2 period.

There is need for the district to incur more efforts to attract more private sector participation as public funds will not be enough to achieve all the targeted district objectives. Development partners' contributions will also remain a significant part of the district funding. (Musanze, 2016).

Education of children

Through the combined efforts of all stakeholders in the district (including citizens through their participation in the

classroom construction for nine and twelve years basic education), actions have been undertaken to ensure that right, reasonable and easily accessible education is availed to the population. But still much effort has to be mobilizing in terms of secondary school enrolment and literacy. In addition quality shall also be a top priority for the district. Accordingly, Musanze district shall closely monitor the quality of education to enable the production of well polished work force that will not only compete at national level but also at international level (Musanze, 2016).

Increase of asset value

Increase asset value is the process of assessing the value of public institution real property or any other item of worth, in particular assets that produce cash flows. Asset valuation is commonly performed prior to the purchase or sale of an asset or prior to purchasing insurance for an asset. Asset valuation can be based on cash flows, comparable valuation metrics or transaction value (Musanze, 2016).

Conceptual framework

A conceptual framework represents the researcher’s synthesis of literature on how to explain a phenomenon. It illustrates actions required in the course of the study given his previous knowledge of other researchers’ point of view and his observations on the subject of research. It shows the relationship between variables.

Figure 1: Conceptual framework

The conceptual framework shows the relationship between the variables under study. The independent variable is the external audit and the dependent variable is the performance of public institution. In Figure 1, the conceptual framework model proposes how external audit impacts on performance of public institution. Different items will be used such as Risk assessment, control activities, information and communication, monitoring, control environment.

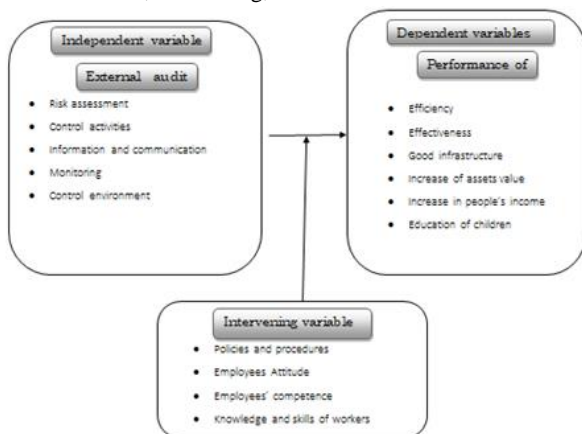


Figure 1: Conceptual framework

Source: Researcher, November 2016

The above conceptual framework shows risk assessment, control activities, information and communication, monitoring and control environment as independent variables, all of those variable affect positively efficiency, effectiveness, good infrastructure, increase of assets value, increase in

people’s income, education of children while the intervening variables which is Performance of public institution.

RESEARCH METHODOLOGY

Research methodology is defined as a process of investigation which a research uses to address the research objectives through the research questions posed Kumar, (1999). According to him the research methodology can take the structured approach that constitutes quantitative research and the unstructured approach that constitutes qualitative research. The quantitative research strategy emphasizes on quantification and analysis in data collection and all forms of the research process such as the objectives, design, sample and the questions to ask in this approach are predetermined, while the qualitative research strategy emphasizes words in the collection and analysis of data (Bailey, 2008).The research decided to use both approaches in other to get more and believable information on external auditing of Musanze district the quantitative method helps the research to get statistical information while qualitative helps in words to know how quality of external audit can affect the performance of Musanze district. To The research adapted a case study method, which was restricted to Musanze district as public institutions.

Research design

Defines research design the as specified, framework of controlling data collection (Barzun *et al.*, 1992). Asserted that a research design is the total plan we use to aid in answering our research questions. He further asserts that, as of our plan, we decide what data was obtained and exactly what the best way to gather data. According to a research design is simply a framework or plan for the study to be investigated it is used as a guideline in collecting and analyzing data (Humblet, 1980). A research design involves the people who participated in the study, the place where they were found, the number of people that will be included in the research and the kind of data the researcher needs from them (Andrew, 2008). In this study, the researcher adopted a case study method and Musanze district was chosen as case study. So here the research to accomplish the study used population within Musanze district. The kind of data that the research needed in this district is to prove out that external auditing has a greater impact to institutional performance.

Source of data

Source of data is defined as one of the materials a research uses for collecting information during investigation. Sources of data were both primary and secondary data (Andrew, 2008).The researcher used different information’s related to the topic study from audit services of Musanze district as it was a case of knowing the effectiveness of auditing in the performance of this organization. Some of these data were both published and unpublished like textbooks and reports respectively.

Primary data

Primary data come straight from the people you are researching from and are therefore the most direct kinds of information you can collect. The primary data is said to be the

first hand observation and investigation (Williams, 1990). For primary data generation in this research, respondents were drawn Musanze District employees and line managers. Thus primary data were collected using interview and questionnaires.

Secondary data

Secondary data is usually the original data and is often the examination of the study someone else has carried out on a subject or an evaluation of, or summary of primary material. In the secondary data, written materials intervened (Williams, 1990). Various documents of relevant information to our study were consulted such as textbooks, officials report, journals, and various information documents from library of INES. Other secondary source was Musanze District reports concerning this topic in question.

Instruments of data collection

The research used the questionnaire, interview schedule and documentation.

Questionnaire

As defined by (Williams, 1990), a questionnaire is a set of questions, which calls for responses on the part of client: may be self administered or group administered. This method was used to collect data from respondents hoping to get people's perceptions, feelings and views since each respondent was given time to fill the structured questionnaire and justifications for the responses given whenever it deemed necessary.

Is simply a 'tool' for collecting and recording information about a particular issue of interest (Oppenheim, 1992). It is mainly made up of a list of questions, but should also include clear instructions and space for answers or administrative details. Questionnaires should always have a definite purpose that is related to the objectives of the research, and it needs to be clear from the outset how the findings will be used. Respondents also need to be made aware of the purpose of the research wherever possible, and should be told how and when they will receive feedback on the findings.

Interviews

An interview schedule is the instrument that is not given direct to the respondents but is filled in the interviewer who reads the question for the response. The research used this technique to get data from respondents and the collected data were filled in the interview schedule (Barzun *et al.*, 1992).

Documentation

The basic advantages of documentary studies are to explore the sources more fully in order to obtain additional information on an aspect of this topic. Specially, it tells whether the problem under study has already been researched on or not. With documentary study, the research got the information that would otherwise not have been assessed through the methods of questionnaires and interviews (Robert, 1997).

Population of Musanze district.

Sekaran. (2005), defined a population as the entire group of people, events or things of interest that research wishes to

investigate. According to Bailey (2008), population of the study refers to the total number of units from which data can be collected such as individuals, artifacts, events or organizations. The study population was comprised of 67 employees of Musanze district at the Headquarter office.

Sampling size and sampling techniques

While it is not easy for a research to take the whole population (performance of public institution in Musanze District) for participation in the study, a sample was drawn from the population by using both purposive sampling techniques.

Sampling techniques

Respondents were selected using sampling technique. According to Osuala (1987), Universal or non survey technique is a type of survey where all the total population related to the research study is covered or taken. Therefore in this regard, the research took the whole employees in the internal audit, general directorate and human resource departments. This enabled to pick respondents who could meet the purposes of the study.

Sample size

A sample is part of population which is deliberately selected for the purpose of investigating the properties of the entire population. stresses that if the sample is selected properly, the information collected about the sample can represent the entire populations. A sample itself is defined as all people or case selected to take part in research study. Sampling is also defined as the process of selecting people to take part in the research study (Williams, 1990). The sample size of the study consisted of 67 employees working of Musanze district which was used as the means of collecting correct, consistent and reliable information.

Data processing

According to Sekaran (2005), data collection is not an end in itself. Unless the data can be processed, analyzed and converted into information in a format that can helpful to the user. After collecting data there is a need to process it is as to get the meaningful result. This process involved editing, coding, tabulation.

Editing

Editing refers to the inspection and collection if necessary of each questionnaire or observation form. After data collection, the exercise of inspection and edition followed in order to discover items that were not clearly understood by the one interviewed. In the case of unfilled space in the questionnaire, on unclear responses, the researcher collected them, to ensure comprehensibility of data (Manhein & Rich, 1995).

Coding

Coding was defined as the process of assigning numerical values to represent values in variables. The coding was designed in such a way that codes were mutually exclusive and representative. Each respondent's information was fed into a computer in a way, matching and comparing the views of all respondents to each question. This facilitated the arrangement of information into a meaningful way with

necessary patterns in responses and deducible information details (Manhein & Rich, 1995).

Tabulation

The tabulation refers to the orderly arrangement of data in a table or any other summary format achieved by counting frequency of responses to each question. After data is edited and coded, the research combined together in same form of analytical table. He dealt with putting data into tables and frequency tables to show the number of respondents to particular questions (Manhein & Rich, 1995).

Data analysis

The analytical method enables a systematic analysis of the information and data collection. It emphasizes and deals with each case on its own, more so on the element before rather than unit. Then analytical method is used to make the interpretation in fact to reject or to do not reject the null hypothesis (Edward, 2014). This method allows analyzing all data collected on the field and other from different documents during the period of research.

The historical method is used when the study requires information from the past. This type of research involves studying, understanding and experiencing past events (Andrew, 2008). The historical method comprises the techniques and guidelines by which historians use primary sources and other evidence, such as secondary sources and tertiary sources, to research and then to write history. The question of the nature, and really the possibility, of sound historical method is raised in the philosophy of history, as a question of epistemology (Leedy, 1981). The historical method helped to be aware of the history of external auditing and performance of Musanze district from 2013 to 2015.

Quantitative or statistical and qualitative method of data analysis also both were used in this study. After the data collected were organized, edited and coded, quantitative data were entered into Statistical Package for Social Science (SPSS) and were analyzed using descriptive statistics. Closed ended questionnaire and open ended questionnaire were analyzed by using SPSS. The package used to determine frequencies in order to discover the degree of occurrence to each variable. The outputs were presented in frequency and percentages tables. To measure the relationship between external auditing and performance of Musanze District, regression analysis was used to determine this relationship. The correlation matrix was extracted using SPSS version 18.0 to show the correlation between contributions of external auditing to Musanze district performance indicators shown in the conceptual framework.

Regression analysis was used to establish the relationship between the variables of the study. In doing so, the regression model below was used: $y = \beta_0 + \beta_1x_1 + \dots + \beta_5x_5 + \epsilon$. where y represents the dependent variable means performance of Musanze district and β_0 = Constant term $\beta_{(1-5)}$ = represent the model parameters or coefficients; x_1 = Trust, confidence and dependence, x_2 = Examining and evaluation, x_3 = Risk management, x_4 = Better operation to management and ϵ = error terms.

FINDINGS

Analysis and interpretation of data as per specific objectives

This section present the information concerned with auditing applied in Musanze District, risk assessment, control activities, information and communication, monitoring, control environment.

External auditing applied in Musanze District

Musanze district recognized the importance of external auditing on performance of public institutions as a precondition for achieving the established objectives. Despite all of the established objectives the external auditing applied in Musanze District respondent were asked to confirm the external auditing applied within it.

Table 1: External auditing applied in Musanze District

Risk assessment	57	85
Control activities	67	100
Information and communication	52	78
Monitoring	62	93
Control environment	60	90

Source: Field survey data, December 2016

The results tabulated above shows that within Musanze district external auditing is applied so as to control activities as confirmed by 100% this is followed by monitoring 93% furthermore control environment, risk assessment, lastly information and communication are also applied Musanze District as confirmed by 90%, 85% and 78% respectively. The results further are in conformity with the study conducted by Clive de Paula & Attwood (1983) who has objective of analysing the influence of external auditing on efficient financial performance of business entities in China and have been argued that most of entities applied external so as to assess risk, control organizational activities and etc.

Extent of external auditing to the performance of Musanze district

This section present the extent of external auditing applied in Musanze District. It is in that framework the researcher interviewed the respondent from Musanze District to know the extent of external auditing to the performance of Musanze District.

Table 2: Extent of external auditing to the performance of Musanze district

Very great	34	51
Great	28	42
Not sure	0	0
Little	5	7
Total	67	100

Source: Field survey data, December 2016



The results tabulated above show that external auditing very greatly influences the performance of Musanze District as confirmed by 51% and also external auditing greatly contribute to the performance with 42%. The results further indicate that external auditing of Musanze district contributes to its performance. The finding are in conformity with the study conducted by Britnel (2001) who has an objective of assessing the effect of external auditing on decision making of business organisations and confirmed that it contributes to overall performance of business intities.

Independency of External auditor from Musanze district management

Writings have been confirmed that some auditor independency have different quality due to the regulation and rules of institutions. It is in that framework the research asked the respondent from Musanze District to know their agreement of external auditing independency within Musanze District.

Table 3: Agreement on independency of external auditor in Musanze district

Agreement	Respondents	Percentage
Strongly agree	26	39
Agree	41	61
Strongly disagree	0	0
Disagree	0	0
Total	67	100

Source: Field survey data, December 2016

The results tabulated in table 7 above show that external auditor have enough independence while carrying his work as indicated by 61% as strongly agreed and by 39% as agreed while there is not anyone who are disagreed or strongly disagreed with the statement. The results further more are supported by the study conducted by OAG (2014) as they have responsibility of enhancing good public institutions performance and operations.

Qualification of quality of external auditor in MUSANZE district

The achievement of reasonable assurance becomes a debate within many institutions due the quality conducted involved in achieving that assurance. It is in that framework the researchers asked respondent from Musanze District to know the quality of external auditing of Musanze District.

Table 4: Qualification of quality of external auditor in MUSANZE district

Excellent	3	4
Very good	47	70
Good	17	25
Bad	0	0

Total	67	100
--------------	----	-----

Source: Field survey data, December 2016

Table 8 above shows the quality of external auditor in Musanze district. The table indicates that the quality is very good as confirmed by 70% of respondent while 25% of them confirmed that the quality of external audit is good and 4% of them confirmed that is excellent. The results further show that Musanze district has good internal control system which influences the quality of external audit. The results furthermore are supported by the study conducted by Adams (1994) who asserted that the quality of external audit depend on organisational internal control system.

Analyzing the level of performance of Musanze district

The present section aims at describing the level of performance of Musanze district and revenues and assets are the main factors considered by the research to do so.

Table 5: Performance indicators of Musanze district

Indicators	frequencies	Percentages
Efficiency	55	82
Effectiveness	58	87
Good infrastructure	65	97
Increase of assets value	67	100
Increase in people’s income	67	100
Education of children	67	100

Source: Field survey data, December 2016

Table 9 shows that indicators of Musanze district are 100% Increase of assets value, Increase in people’s income and Education of children followed by 97% Good infrastructure 87% Effectiveness 82% Efficiency. The results further indicate that Musanze district has good performance during the studied period. The results are in conformity with the study conducted by Bransford & Brown (2000), who argued that auditing practices helps business organisation and other non profit making organizations to maximize their profit through increasing of assets value, increase in their income and etc. Adeniyi (2004), also supports the above results in his study entitled auditing and its impact on business enterprises performance as he has been founded that external auditor is like watchdog of an organization and helps to enhance enterprise efficiency and effectiveness.

Table 6: Level of performance of Musanze district

	2013			2013-2014		2015-2014	
	2015	2014	2013	Amount	%	Amount	%
TOTAL OPERATING REVENUE (1)	11314289198	9647551953	10108823379	-461271426	-5	1666737245	17
Total revenues (A)	11314289198	9647551953	10108823379	-461271426	-5	1666737245	17
Total operating expenses (4)	9096460641	7784105788	7480815320	303290468	4	1312354853	17
Total expenses (B)	11133357000	9719971632	9966821845	-246850213	-2	1413385368	15
SURPLUS/DEFICIT (C=A-B)	180932198	-72419679	142001534	-214421213	-151	253351877	204
Total Financial Asset	250,045,554	316,872,657	209,862,055	107010602	51	-68827103	-21
Net Financial assets	118,892,589	-4,148,220	133,841,178	-137989398	-103	123040809	206
Total Closing Balances	118,892,589	-4,148,220	133,841,178	-137989398	-103	123040809	206

Source: Musanze district annual report, December 2016

The results tabulated above show that there was a variation in Musanze district operations from 2013 to 2015. The results show a variation of -5% in operating revenue in 2013 to 2014 and an increase of 17% in 2014 to 2015 if comparing its operating revenue. The results also indicate the same variation in total revenues. Furthermore the results indicate that Musanze district net financial assets were decreased in the period 2013 to 2014 by 103% while in 2014 to 2015 the amount has been increased more than twice as the variation was 206%. The study concluded that within Musanze district in 2015 there is good performance in term of revenue and assets value position. The results has been confirmed by WBG (2010), as argued that public institutions whose value of asset and revenue increased are seems to have good performance otherwise bad performance. The results also are supported by Adeniyi, (2004), who founded that external auditor come to enhance good performance of an organization by protecting errors and fraud that may involves bad performance.

Relationship between external auditing and performance in Musanze district

The research to analyze the relationship between external auditing and performance of public institution uses SPSS 18. Regression analysis was used to establish the relationship between the variables of the study. As shown by the results below through summary model and coefficient tables the relationship is analyzed

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.914 ^a	.836	.427	.40471

Predictors: (Constant), control environment, control activities, risk assessment, monitoring, information and communication

Source: Researcher’s computation from SPSS, December 2016

The model summary table above shows R square used as test for model fitness. From the results, it was found that the five independent variables (control environment, control activities, risk assessment, monitoring, information and communication moderately predict the performance of public institution (adjusted R squared = .836). That means the model explains 83.6 % the variance in the performance of public institution. The results are supported by the study conducted by Britnel (2001), who has objective of analysing the effect of external auditing on performance of public educational institutions and has been founded that there is a strong relationship by using correlation analysis. Bransford & Brown (2000), also supported the above findings as they confirmed that external auditing practices relates to performances of business enterprises where they found a strong relationship between the two variables by using pearson correlation ang found r=0.936.

Table 8: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.129	1.503		3.414	.006
Risk assessment	.138	.463	.256	.298	.042
Control activities	.435	.270	.576	1.610	.049
Information and communication	.276	.534	.581	.517	.007
Monitoring	.750	.350	1.580	2.140	.016
Control environment	.233	.222	.520	1.047	.005

a. Dependent Variable: performance measured by efficiency

Source: Researcher’s computation from SPSS, December 2016

The study conducted a multiple regression analysis so as to determine the regression coefficients (β) which shows that β₀ = 1.138 and which means that all the independent variables control environment, control activities, risk assessment, monitoring, information and communication have an a significant contribution to public institution performance even if the x variable equal to zero means Y = 5.129 and according to table 12 the model equation become Y = 5.129 + 0.138X₁ + 0.435X₂ + 0.276X₃ + 0.750X₄ + 0.233X₅. The results are in conformity with the study conducted by Jones (2007) as argued that internal auditing facilitates external audit to provide reasonable assurance which in turn improve overall performance

CONCLUSION AND RECOMMENDATION

This research entitled “the contribution of external auditing on performance of public institution” was carried out at MUSANZE District. Without external auditing business organizations and public institutions operating performance become inefficient. In general research results exposed that the external auditing has influenced public institutions in the decision making and good performance of their activities and external auditing system is a good tool used for achieving the objectives of all organization both public and private. As revealed by the findings the performance of MUSANZE district depends mainly on the effective external auditing system which strengthens its internal control system. How the assets of the District are safeguarded and how public funds are managed, depend on the soundness of internal control system of MUSANZE District. Although the system of external auditing is at least effective, the findings revealed that MUSANZE District needs the greater contribution of Office of Auditor General (OAG) in order to make external auditing

*Corresponding Author: Mr. Anastase NSHIMIYIMANA (Msc.).



more effectiveness. Basing on the results the study finished that external auditing is the engine of improving public institutions performance specifically in Musanze district.

Recommendations

The following recommendations are addressed to the public institution and to future researchers.

In view of data analysis and interpretation as well as the theoretical aspects examined in the literature review, the researcher presented below a list of recommendations for necessary actions to be taken by MUSANZE District for improving external auditing in order to achieve good performance of the whole district.

The measures to be taken are listed below:

- To provide constant training to auditors of public institutions should be organized to improve their skills level
- To provide financial motivation for external auditors should be applied to increase their efforts as external auditors.
- An external auditor should be independent from the public institution in order to perform their activities independently.

To future researchers

This research focused specifically on the contribution of external auditing in relation to the performance of the public institution. The research only focused on the component of external audit and their contribution of the effectiveness of the public institution. Since it advised that there other area for farther study in this perspective such as follow:

- The contribution of ICT on the effectiveness on external auditing system
- The importance of external auditing on effective control of public assets.
- The effect of tax planning on the firms' value in Rwanda.

REFERENCES

1. Adams, M. B. (1994). Agency Theory and the internal audit Managerial. *Auditing and financial journa* , 12 (4), 212-226.
2. Adeniyi, A. A. (2004). *Auditing and investigation. Values Analysis Consultance*. New York: Cambridge University Press.
3. Agbadudu, A. B. (1998). *Statistics for Business and the Social Sciences*. Benin City: Uri Publishing Ltd.
4. Ahlawat, D., Gerard, B. & Emmy, Z. (2014). An examination of external auditor objectivity. *Auditing Journal of Practice & Theory*, 23 (2), 147-58.
5. Alexandra, M. (2012). *Measurement and Internal audit Capstones*. New Delhi: McGraw-Hill.
6. Alvin, A. S. & James, K. L. (1984). *Auditing and Investigation Approach*. London: Longman Group Limited.
7. Amin, M. (2005). *Social science research conception, methodology and analysis*. Kampala: Makerere University printer.
8. Andrew, A. B. (2008). *Research design, and sample size*. London: Routledg.
9. Bailey, M. (2008). *Methods of social research*. Boston: Collier Macmillan publishing company.
10. Barzun, J. & Graff, H. (1992). *The modern research* (5th ed.). San Diego: Harcourt Brace.
11. Bransford, J. D., Brown, A. L. Cocking & Eds, R. R. (2000). *How people learn*. Washington DC: National Academy Press.
12. Brenda porter. (2003). *Principles of external auditing, congress cataloging in Publication Data*. London: John Wiley and Sons Ltd.
13. Britnel, B. K. (2001). The effect of auditor's internal control opinions on loan decision. *Journal of accounting and public policy*, 4 (23), 345-361.
14. Caine, R.N., & Caine, G. (1997). *Education on the edge of possibility*. Alexandria: VA: ASCD.
15. Clive de Paula, F. & Attwood, F. A. (1983). *Auditing Principles and Practice* (16th ed.). San Diego: Harcourt Brace.
16. Coffin, G. (2003). Identifying organizational drivers of internal audit effectiveness. *International journal of auditing*, 6 (12), 143-154.
17. COSO (1994). *Enterprises risk management-integrated framework*. New York: Commeety of sponsoring organisation.
18. Drishti, R. (2013). *Audit of educational institutions*. Mumbai: Reliance Securities Publishers.
19. Edward, V. (2014). *Additional tools of data collection and data analysis* (3rd ed.). Paris: Dalloz.
20. Frank, M. & Bernard, Z. (2003). Testing the Pecking Order Theory of Capital Structure. *Journal of Financial Economics*, 67 (34), 217-248.
21. Furrugia, R. (2002). *Effectiveness of internal controls*. New Delhi : McGraw-Hill Book Company.
22. Henle, P. (2005). *Controlling internal controls*. Hoboken: Public administration review.
23. Howlard, R. (1982). *Auditing* (7th ed.). London: Macdonald and Evans Limited.
24. Humblet, J. L. (1980). *How to get documentation*. Paris: PUF.
25. Hussey, B. (2015). *International Financial Reporting Standards Desk Reference*. New Jerse: Mc Graw-Hill.
26. IIA (2006). *The Role of Auditing in Public Sector Governance*. London: Macdonald and Evans Limited.
27. Jane, Q., Alberto, K. & Kaulo, M. (2008). *Oxford Advanced Learners' Dictionary* (8th ed.). Oxford: Oxford University press.
28. Jones, E. L. (2007). Evaluation of Internal Control Systems. *A case study from Uganda International Research Journal of Finance and Economic*, 3 (12), 135-152.

29. Kakooza, T. (1996). *An introduction to research methodology* (2nd ed.). London: Library Association.
30. Konrath, J. (1999). Management's report on internal control, and the accountant's response. *Managerial auditing journal*, 1 (16), 161-166.
31. Kumar, K. Rajan, R. & Zingales, L. (1999). *What determines Firm size* (Vol. 27). London: National Bureau of Economic Research.
32. Leedy, P. (1981). *How to read research and understand it*. New York: Macmillan.
33. Mandy U., Dierx A., & Ilzkovitz F. (2008). *The effectiveness and efficiency of public spending* (Vols. 3-4). Paris: Directorate General for Economic and Financial Affairs.
34. Manhein & Rich. (1995). Empirical Political Analysis. *Research method in political science Journal*, 4 (46), 123-132.
35. MIGEPROF (2014). *Gender balance and employment promotion program*. kigali.
36. MINALOC (2003). *Financial Management and Accounting Procedures Manual for Local Administration*. Kigali.
37. MINEDUC (2012). *Information technology towards country's economic development*. kigali.
38. Musanze, D. (2016). *District potentialities assessment for the integrated and self-centered local economic development*. kigali: musanze district.
39. Oppenheim, A. N. (1992). *Questionnaire design, interview and attitude measurement* (2nd ed.). London: St Martin's press.
40. Osuala, E. C. (1987). *Introduction to Research Methodology* (2nd ed.). Onitsha: Africana-publishers Ltd.
41. Pany, K. (1998). *Principles of Auditing* (12th ed.). London: Mcgrewn.
42. Robert, R. (1997). *Minimalism part II-thirty things*. San Diego: Harcourt Brace.
43. Saito, Y., & McIntosh, C. S. (2010). *The economic value of auditing and its effectiveness in public school operations*. Harvad: Harvard University.
44. Saleemi. (1997). *An analysis of the role of internal audit in implementation risk management*. Nairobi: a study of state corporations in kenya.
45. Saunders, M. L. (2007). *Research Methods for Business Students* (4th ed.). Harlow: Pearson Education Ltd.awn hills Publishers.
46. Sekaran. (2005). *Research Methods for Business, a Skill Building Approach* (4th ed.). New Delhi: McGraw-Hill.
47. WBG (2010). *Improving the Business Environment for job Creation and Growth*. Pritoria: South Africa.
48. Williams,. (1990). *Research in Social Research*. New york: Inc Peacock Publishes.
49. Woolf, I. (2009). *Auditing to day* (3rd ed.). london: Prentice-Hall.