

**MIDLANDS STATE UNIVERSITY**



**FACULTY OF SOCIAL SCIENCES**

**DEPARTMENT OF POLITICS AND PUBLIC MANAGEMENT**

**AN ANALYSIS OF THE ROLE PLAYED BY THE AUDIT OFFICE IN PROMOTING  
PUBLIC EXPENDITURE MANAGEMENT SYSTEMS IN ZIMBABWE.**

**BY**

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**DISSERTATION SUBMITTED TO THE MIDLANDS STATE UNIVERSITY  
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FULFILLMENT OF THE REQUIREMENTS OF A BACHELOR OF SCIENCE  
HONOURS DEGREE IN POLITICS AND PUBLIC MANAGEMENT**

**2015**

# APPROVAL FORM

Midlands State University



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The undersigned certify that they have read and made recommendations to the Midlands State University for acceptance of a research project entitled: **An analysis of the role played by the Audit Office in promoting public expenditure management systems in Zimbabwe.** The project was submitted in partial fulfilment of the requirements of the Bachelor of Science Honours Degree in Politics and Public Management.

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I Simbi Marara declare that this research is my original work that has not been submitted to any other University. The sources I used have been acknowledged.

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## **ABSTRACT**

The establishment of the Audit Office was primarily meant to enhance sound fiscal prudence and promote economic, efficient and effective public expenditure management systems. On this note, the research speculated the public sector auditing in Zimbabwe in particular the performance of the Audit Office in promoting public expenditure management systems. The study hinges on the Principal Agency theory which serves as its theoretical and conceptual framework. The research study was primarily qualitative in nature with a few elements of quantitative aspects. Expect sampling was used to sample the population for the research. The targeted respondents that included university students, internal auditors for private companies, internal government department auditor and parastatal auditors were selected and interviewed basing on their level of knowledge on the research topic. The research findings established that the Audit Office in Zimbabwe is being harbored by politics: lack of Audit Committees: unattractive remuneration: brain drain: lack of independence and budgetary constraints. The study concluded by recommendations that there is need to set appropriate appointment procedures, need to offer attractive remuneration, need to render financial independence , need to update legal and regulatory instruments, establishment of Audit Committees and the need for the government to take serious the audit recommendations proffered by the Audit office.

## **DEDICATIONS**

I dedicate this research to my parents Mr and Mrs Marara, Welcome Bhebhe and Lawrence Ngcebetsha.

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## **LIST OF ABBREVIATIONS**

|         |   |
|---------|---|
| AFROSAI | African Organisation of Supreme Audit Institution       |
| AG      | Auditor General   |
| AIPPA   | Access to Information and Protection of Privacy Act     |
| CRF     | Consolidated Revenue Fund                               |
| IFAC    | International Federation of Accountants                 |
| INTOSAI | International Organisation of Supreme Audit Institution |
| PEM     | Public Expenditure Management                           |
| PSC     | Public Service Commission                               |
| SAI     | Supreme Audit Institution                               |
| UDI     | Unilateral Declaration of Independence                  |

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## **CHAPTER ONE: INTRODUCTION**

### **1.0.INTRODUCTION**

This chapter examines the background of the research that inspired the execution of the research study. The episode will also include the statement of the problem which capacitates the demand for the research. Other paramount facets that include research justification, research objectives, research questions, limitations and delimitations of the research study, will be enclosed in the opening chapter.

#### **1.1. BACKGROUND OF THE PROBLEM**

Brown (1905) quoted in Mautz and Sharal (1961) asserted that the origins of auditing goes back to times scarily less remote than that of accounting...whenever the advance of civilization brought about the necessity of one man being entrusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former would become apparent, thus the main gist of auditing was to ensure accountability, transparency, effectiveness and efficiency in the usage and management of the property entrusted to the stewards by the original owners.

Gill and Casserat (1996) propounded that the application of auditing became strongly substantiated during the evolution of industrial revolution in the period of 1840s and 1920s in the United Kingdom. According to Porter et al (2005) noted that the accountant especially in the primary years of this era, was ordinary the organization or manager and his mandate were to guarantee decent use of the resources entrusted to them. Auditors during this period were normally stockholders nominated by fellow members. Brown (1962) propounded that the auditors during this period were required to perform complete checking of transaction and the preparation of correct accounts and financial statement.

Mathur (2001) asserted that public auditing in its current fashion was established for the first time in Great Britain as an essential part of parliament regulator over national resources with the ordinance of Exchequer Audit Department in 1866. The Act demanded all government departments for the first time, to table annual reports known as appropriation accounts. The Act

also substantiated the Office of the Comptroller and Auditor General and an Exchequer and Audit Department to deliver the supportive personnel from which the civil service. The developments in the United Kingdom relate as Zhou and Zinyama (2013) asserted that the Southern Rhodesian Order in Council of 1915 provided for the appointment of an Auditor general with independent powers to examine all administrative revenue and expenditure and with authority to disallow payments made without authority, which ascertain the appointment of the Audit Office to act as a watchdog of public resources and funds hence enhance economy, efficiency and effectiveness in public sector.

Zinyama (2013) articulate that the Audit Office which was once known as the office of the Comptroller and Auditor General, traces its origins to the institutions established in the colonial era. The Southern Rhodesia Order in the Council of 1915 stated “Provisions shall be made for full and sufficient audit once every year of the British South Africa Company relating to all sums received and all monies expended”, thus the order also stated that the Comptroller and Auditor General’s audit must cover the Consolidated Fund and the National Funds, the Appropriation Accounts, Accounts of receipts to be paid into the Consolidated Revenue Fund and the accounts of collecting departments, internal accounts and operating accounts.

Kavran Report (1989) purported that though the Comptroller and Auditor General was effective and efficient in discharging its constitutional mandates, it had no teeth to bite. The office could pinpoint the unscrupulous activities and malapropos of public finances and embezzlement of public property but it could remain inertia. The Kavran Report (1989) further proclaim that, during the Unilateral Declaration of Independence (UDI) the Comptroller and Auditor General was largely toothless and that financial audits were conducted in the period of 1971 and 1979.

Zhou and Zinyama (2013) asserted that the post of Auditor General is established in terms of Section 309 and 310 of the Constitution of Zimbabwe. In terms of Section 105, the Office is a public office that however does not form part of the Public Service. As observed in most reviewed country experiences, the Office of the Comptroller and Auditor-General is the supreme audit institution (SAI). The legal framework comprises of the Constitution and the Public Finance management Act [Chapter 22:19] and Audit Office Act [Chapter 22:18] that repealed the Audit and Exchequer Act Chapter 22:03. The Auditor General is appointed by the President in consultation with the Public Service Commission (PSC), a departure from other jurisdictions

where the appointment is made in consultation with Parliament. The incumbent is not a civil servant and holds office on terms and conditions fixed by the President. However, Part IV, Section 14 (1) establishes the Audit Office Commission which is mandated by Section 15(a) to appoint persons to the Audit Office and this effectively implies that they are not civil servants.

As gleaned from Section 309 of the Constitution of Zimbabwe and Section 5 of the Audit Office Act Chapter 22:18, the duties of the Comptroller and Auditor-General include examining, enquiring into and auditing the accounts of all Accounting Officers; safeguarding public moneys and state property; auditing all or contract out the audit of the designated bodies; prepare and submit reports and do any other duty required of him by any Statute; prepare memoranda for the committee of Public accounts; and to carry out value for money audits of the central government, local authorities and designated corporate bodies. These involve undertaking financial audits“ which are designed to ensure that systems of accounting and financial controls are efficient and operating properly and also to ensure that financial transactions have been correctly authorised and accounted. They, as argued by Rutherford (1983) help to establish the reliability of specific financial information, compliance with relevant procedures. This helps to safeguard the assets. They also involve „value for money“ audits (also known performance audits), which effectively cover issues of economy, efficiency and effectiveness in the use of public funds. Such audits help to bring to light wasteful, extravagant or unrewarding expenditures. There are also specialised audits“ which generally take the form of investigations which are primarily initiated by Parliament, though the C&AG can also instigate.

Zhou and Zinyama (2013) stated that the Public Audit Offices are the guardian of the national purse and the pivot of the system of parliamentary control over finance. They help to institutionalize and nurture a culture of accountability, integrity, legitimacy and value for money in the conduct of public business. This in the long term serves as antidotes against institutional corruption. Study findings indicate that Zimbabwe’s audit systems are in the main consistent with regional and global experiences. Efforts are being undertaken to reconstitute and strengthen legal frameworks governing public auditing.

Zinyama (2012) asserted that the legal frameworks do not go deep enough to strengthen the independence of supreme audit institutions. Appointment, funding and reporting frameworks still



have peeling effects on the operational independence of the Comptroller and Auditor General. Scenarios aground also suggest that the political will to comply with extant frameworks is low note. Audit recommendations are not seriously taken by Treasury, Accounting Officers and government ministers. There is need to update legal and regulatory frameworks to strengthen the operational independence of the Auditor General and also to give it sanction powers to compel Ministries and departments to observe and comply with the Treasury Instructions and other regulations regarding submissions of returns. Efforts should also be directed towards capacitating the Auditor General in term of attracting and retaining skilled and experienced staff in the legal and accounting field.

According to Zinyama (2012), the Audit Office conducts three types of audits namely financial audits, value for money audits and specialized audits. The financial audits focus on the state of affairs of the financial statements and this relates to accounts of both government and parastatals. The value for money audits deal with matters in the government departments or parastatals and specialized audits take a form of investigations. The Audit Office has not successfully managed to conduct the three listed types of auditing meant to enhance sound public expenditure management systems which are concerned with allocation, management and usage of government resources responsibly, economically, effectively and efficiently. The Audit Office is required by law to report to the parliament the results of such audits on an annual basis. However for the past years this requirement has not been complied with. The office could not produce annual reports for tabling during the period of 2000 to 2005. The blame apportioned on the ministry that failed to produce the necessary statements and returns upon which year-end audits will be conducted. As a result, the Ministry of Finance totally failed to produce the Consolidated Revenue Fund Statement.

Chiri (2009) states that gaps in the enabling legal instruments, both the Constitutional and Audit Office Act do not give the Auditor General any sanctioning powers to compel Ministries and departments to observe and comply with the Treasury instructions and other regulations regarding submission of returns. Rather it relies on the Treasury as the manager of public funds and delayed submissions and in other instances total failure by ministries and departments for audits. This impacted negatively on the reports of the Audit Office in producing annual reports as well as meeting the statutory deadlines for the tabling of such reports to parliament. As a result this led to

the failure of the Audit Office in executing its duties hence leading to its belittlement by government departments as they don't feel obliged to submit reports for auditing. On the other hand the law does not provide enforcement mechanisms with the regard to Audit recommendations. A scrutiny of published reports revealed a uniformity of Audit observations rose from year to year which is the evidence that little or no action was being taken or observations made from. Through a combination of under resourcing and poor responses by government ministries and departments, the Audit Office is behind in delivery of annual reports to Parliament.

According to Zhou and Zinyama (2013), the Committee observed that section 311 of the Constitution on Zimbabwe stipulates that the Auditor General shall not be subject to the direction and control of any person or authority other the parliament in the exercise of his or her duties. This gives an impression that the office enjoys a great deal of independence. After a careful analysis of what was obtaining on the ground, the committee came to the conclusion that the independence of the Audit Office was to some extent compromised. In as much as the President in consultation with the PSC appoints the Auditor General and parliament in consultation the Treasury determines and controls the budget of the Audit Office and the rest of the officers under the office are civil servants, genuine independence of the Audit Office is far from being realized.

## **1.2. STATEMENT OF THE PROBLEM**

The establishment of the Audit Office was meant to promote sound fiscal prudence and enhance public expenditure management systems in Zimbabwe. To this effect, it can be noted that the Audit office has not fully played its role in reducing corruption and malpractices which has hindered efficiency, effectiveness and economy in the public sector. The mandate of the Audit Office is to help enhance and essence a culture of accountability, rectitude, lawfulness and value for money. This in the long tenure works as an antidote on institutional embezzlement of funds and unscrupulous activities. On that note the research seeks to investigate and analyse the reasons behind the failure of the Audit Office in enhancing public expenditure management systems in Zimbabwe.

### **1.3. RESEARCH OBJECTIVES**

The study seeks to satisfy the following research objectives:

1. To analyse the role of the Audit Office in promoting public expenditure management in Zimbabwe
2. To assess the challenges encountered by the Audit Office in enhancing public expenditure management systems in Zimbabwe
3. To examine the effectiveness of the legal instruments in promoting the Audit Office in the furtherance of its duties
4. To proffer recommendations that can be adopted in strengthening the performance of the Audit Office in Zimbabwe.

### **1.4. RESEARCH QUESTIONS**

This study seeks to answer the following questions:

1. What is the role of the audit Office in promoting public expenditure management systems in Zimbabwe?
2. Which factors are hindrances to the positive performance of the Audit Office in executing its mandate?
3. How substantive are the legal frameworks that back the Audit Office in enhancing its duties?
4. What are the interventions that can be implemented to strengthen the performance of the Audit Office in Zimbabwe?

### **1.5. JUSTIFICATION OF THE STUDY**

The research seeks to add to the existing stock of knowledge on public expenditure management and the role played by the Audit Office in promoting efficiency, effectiveness and economy in the public sector auditing. The research will benefit policy makers as it highly ascertains the challenges encountered by the Audit Office in its quest to enhance sound public expenditure management systems, and it also proffers recommendations that policy makers can consider and implement to ensure the effectiveness of the office in the public sector auditing. The research will also help policy makers to reconsider the empowering legal frameworks backing the Audit office

so as to ensure the substantiality and effectiveness of the office as the guardian of the national purse and a watchdog ensuring effectiveness, efficiency and economy in the usage and management of public resources and finances. Fellow academics and professional peers will also benefit from the research study as it contains current information pertaining to the management of public funds and resources and the current state of audits in the public sector, not mentioned in some journals, books and internet sources. The research study will also benefit other scholars who want to explore on related topics in the field of public auditing.

## **1.6. LIMITATIONS**

The research study was hampered by a number of constraints in data collection. Since the research topic is political sensitive, many respondents were unwilling to participate in the research due to fear of intimidation. The sample size selected was difficult to reach and interview as some respondents were bound by the secrecy act which restricted them from disclosing information paramount to the study. The researcher also face challenges in gathering information from the selected respondents as many of them were bound by policies that included the Secrecy Act and AIPPA which prohibited them from disclosing information about their organisations. The anonymity of the Audit Office and its mandate in the public sector auditing, also undermined the objective of interviewing tax payers who mainly contribute to the national purse, as they do not have knowledge and understanding on the role of the Audit office in the public sector. On this note, the researcher was therefore forced to interview experts and individuals who had knowhow on the research study. To counter the limitations mentioned above, the researcher greatly relied on desk research as it does not emphasise reaching any respondents.

## **1.7. DELIMITATIONS**

The research study will be conducted with particular reference to the role of the Audit Office in promoting fiscal prudence in the public sector through enhancing sound public expenditure management systems in the Zimbabwean public sector. The research study consists of five chapters which ascertain the challenges encountered by the Audit Office in its drive to enhance economy, effectiveness and efficiency in the usage and management of public resources. The research population selected for the study included university students, internal government auditors, auditors from private organisations and parastatal auditors.

## **1.8. SUMMARY**

This chapter discussed the background of the study which gave in depth information on the developments of the Audit Office challenges in Zimbabwe, statement of the problem which asserted the problem the research study will focus on, research objectives and research questions were further highlighted to guide and depict the research focus and mandate, justification of the study where the researcher emphasized on the important and relevance of the research and how it will be of benefit to readers, on the limitations, one gave a critical outline of the major challenges encountered by the researcher in the process of gathering and analyzing data, and lastly the delimitations which highlighted the targeted organisations to be studied and the sample population selected for the research.

## CHAPTER TWO

### LITERATURE REVIEW AND THEORETICAL FRAMEWORK

#### 2.0. Introduction

This chapter reconceives notions, progressions and the theory on issues pertaining auditing and the Audit Office and its role of promoting public expenditure management systems in Zimbabwe. This chapter probes on the definition of auditing, general principles in auditing, the role of public audits in the public sector, laws and regulations seconding auditing, types of audits conducted in the public sector, constraints curbing the Audit Office and strategies that can be employed by the government to promote the effectiveness and efficiency of the audit office in executing its duties.

#### 2.1. Definition of auditing

According to the Compliance Audit Handbook (2006) an audit is a systematic, independent and documented verification process of objectively obtaining and evaluating audit evidence to determine whether specified criteria are met. For the IFAC (1999) auditing is a verification or examination of the documents of accountability executed by an auditor with the objective of providing him with the ability to express an opinion of those documents in such a way to provide them with greater credibility. INTOSAI (2005) defined auditing as an examination of operations, activities and systems of a specific entity, to verify that they are executed or functions in conformity with certain objectives, budget, rules and requirement.

This conceptualization is echoed by Mathison (2005) who defines audits as ‘procedures in which independent third parties systematically examine the evidence of adherence of some practice to a set of norms or standards’. It also resonates with the definition by Elder et al (2010) where auditing is presented as the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Emerging from these definitional perspectives is that audits are a way of checking the effectiveness of the internal control system of the organization. They help to identify at regular intervals, deviations which might require corrective action. Audits are thus watchdogs against corruption, resource wastage and inefficient decision making. Fixation with auditing therefore

reflects at to institutionalize and nurture a culture of best practices in the management of fiscal resources both the macro and micro of government.

The definitions above gave a general meaning of auditing by stating that auditing is an introspection of accounting records conducted with a prospect to substantiate whether they rectify and completely mirror the transactions to which they purport to relate. This research seeks to identify whether government department officials and parastatal officials have an understanding of auditing and its purpose in the public sector.

## **2.2 Public Expenditure Management**

Allen and Tommasi (2001) noted that public expenditure management is concerned with the allocation and the use of government resources responsibly, efficiently and effectively. The objectives of the public expenditure management is to ensure that the budget systems maintain the aggregate fiscal discipline, allocate resources in relation to government precedence and to enhance efficiency and effectiveness in the public sector. Allen and Tommasi (2001) further purported that public expenditure is generally understood to mean expenditure by general government, central government through the national budget and other budgetary instruments, and local government. The management of expenditure covers the preparation, management and execution of the budget. Budget execution includes ex ante control, ex post control, internal and external audit and evaluation, with various types of reporting at each stage.

Djurovic-Todorovic and Djordjevic (2009) postulated that the national budget is the main instrument through which government collect resources from the economy, in a sufficient and appropriate manner and allocate and use those resources responsively, efficiently and effectively. The basic goals of public expenditure management are accomplishing macro financial discipline, strategical priorities and functional application. Allen and Tommasi (2001) purported that beyond the three basic objectives, a sound system of public expenditure management needs to take into account the wider values and requirements of society. Accountability, transparency, predictability and participation are important instruments for sound budget management, but also have intrinsic value, and are generally seen as the four pillars of good governance. Allen and Tommasi also noted that appropriate participation by concerned public officials and employees and other stakeholders is required for the sound formulation of expenditure programmes,

participation by external entities, for the monitoring of operational efficiency, and feedback by users of public services, for the monitoring of access to and quality of the services provided.

Schick (1998) asserted that in PEM, it is not enough that government apply the right procedures, it also is essential that they strive to efficiently achieve desired policy outcomes. Secondly PEM covers a broad range of institutional and management arrangements, not just those traditionally associated with budgeting. PEM recognises that budget outcomes are not likely to be optimal if the public sector is poorly structured and managed, or if the incentives and information given policy makers and program managers impel them to act in ways that produce perverse results. The research seeks to investigate the substantiality and effectiveness of public expenditure processes in the Zimbabwean government bodies and further pinpoint the key structures that hinder the progress of the public expenditure management process.

### **2.3. Public Audit Office**

Zhou and Zinyama (2013) defined the Public Audit Office as the guardian of the national purse and pivot of the system of parliamentary control over finance and they assist in enhancing an institutionalized and nurtured system of accountability, integrity, legitimacy and value for money in relation to public affairs. According to the National Audit Office (2015) the National Audit Office scrutinises public spending for Parliament and is independent of both central and local government. Zinyama (2013) further purported that parliament relies on the Public Auditor to provide independent assurance that government activities are carried out and accounted for, thus the public audit office enhances efficiency, effectiveness and economy in the public sphere. The research seeks to analyse the functionality of the Audit office in ensuring accountability, legitimacy and integrity in the public sector hence ensuring efficiency, effectiveness and economy in the activities of the government.

## **2.4. TYPES OF AUDITS IN THE PUBLIC SECTOR**

### **2.4.1. Financial and regulatory audits**

Zinyama (2013) postulated that a financial audit is to guarantee that systems of accounting and financial control are efficient and operating properly and those financial transactions have been correctly authorized and accounted for. The financial audits fasten on the state of affairs of the



financial statements and this commune to accounts of both government and parastatals. INTOSAI (2005) further noted that financial auditing dwells on determining whether an entity financial reporting and regulatory framework. This is cultivated by obtaining sufficient and appropriate audit evidence to enable the auditor to express an opinion on whether the financial information is free from material misstatement and unscrupulous activities whether due to fraud, embezzlement of funds or error. Regulatory audits corroborate that expenditure has been incurred on approbated services in consonance with statutory and other ground rules and authorities managing them. This research seeks to determine whether the financial and regulatory audits were being carried out periodically by the Audit Office in Zimbabwe.

#### **2.4.2. Value for money audits**

According to Zinyama (2013) value for money audits dwell on the examination of economy and efficiency, to bring to light examples of wasteful, extravagant or unrewarding expenditure, failure to maximize receipts or financial arrangements detrimental to the Exchequer and weakness leading to them. The value for money therefore administers issues of efficiency and effectiveness in the use of public resources and finances in the government departments and parastatals. The research seeks to determine if value for money audits have enhanced efficiency and effectiveness in the usage of government resources.

#### **2.4.3. Compliance audits**

According to INTOSAI (2005) compliance auditing fasten on whether particular subject content is in compliance with applicable authorities distinguished as criteria. Compliance auditing is conducted by assessing whether activities, financial transactions and information are in all material respect; in accordance with the authorities which manage the audited entity. The purpose of the study is to ascertain if government ministries and parastatals comply with the auditing expectances administered by the Audit Office in Zimbabwe.

#### **2.4.4. Effectiveness audits**

Command Paper (1903) asserts that effectiveness audits seek to examine programs or projects undertaken to meet established policy goals or objectives have been met. Butt and Pulmer (1985) noted that effectiveness concerns ensuring that the output from any given activity is producing

the desired expectations. Brown and Jackson (2007) argued that ‘in order to assess effectiveness, it is first to determine and specify the objectives and second to assess performance against objectives so that appropriate adjustment or remedial action can be taken. Therefore the gist to a triumphant effectiveness audits is to first pinpoint the legislative aspiration of the audited program. The research seeks to investigate the relationship between the Audit Office and both government and parastatals in line with execution of programmes and projects administered.

## **2.5. General principles of an Effectual Public Sector Auditing**

### **2.5.1. Organisational independence**

Institutional independence renders the audit activity to executive its mandate without hindrances from any entity audited. The audit exercise is required to enjoy enough independence from the audited so as to enhance both administration and be expected to execute its functions without impediments. According to Goodson et al (2012) stated that conjoined with objectivity, organizational independence enhances to the precision of the auditor’s work and the capability to rely on reported results. The auditor should be free to staff the audit activity without interference from management or undue political influence from public figures, Goodson et al (2012). The research seeks to investigate the level of independency enjoyed by the Audit office in executing its roles and functions in the public sector auditing.

### **2.5.2. A formal function**

Goodson et al (2012) propounded that the audit activity powers and duties should be substantiated by the public sectors constitution and other legal framework. Among other content, the paper would contend operations and conditions of reporting and the requirement of the audited entity to cooperate with the auditor. The research will seek to evaluate the practicability of the legal frameworks which support the Audit Office in executing its mandate in the public sector.

### **2.5.3. Comprehensive Access**

Audits are supposed to be executed with absolute and unlimited access to employees, property, and records as applicable for the rendition of audit exercises, Goodson et al (2012). The research seeks to investigate if the Audit Office has unrestricted access to both government department

and parastatal resources that should be audited and also assess the relationship of the audited and the Audit Office in line with public sector auditing.

## **2.6. Role of public audits in the public sector**

Rutherford (1993) points out that public audits provide key mechanisms through which financial accountability is enforced within government ministries and state bodies. Across the world, public audits have been institutionalized through the creation of Offices of the Comptroller and Auditor General which act as the supreme audit institutions. They prevent 'dishonesty and abuses' by providing an expert independent and unbiased opinion on specified issues relating to the activities of an organisation. Diamond (2002) asserted that public audits also enhance legislative oversight by ensuring that appropriated expenditures are spent as espoused by legislation governing them. They also promote excellence in fiscal management providing reform measures that should be adopted to correct identified faults in systems and procedures. Review of contemporary audit practices and academic discourse suggest a paradigmatic shift from traditional fixation was with compliance to broader issues of value for money audits and governance.

Closely related to these are audits whose primary purposes are to detect embezzlements and misappropriations. In the event of established evidence of fraud, disciplinary action is taken to recover the funds. Because of their investigative and remedial nature, these audits are referred to as „curative audits“. Audits also function to promote administrative improvements and reforms. These promotive audits“ examine extant procedures and practices to ensure that they remain abreast with the ever-changing conditions, for instance, those arising from technological changes. As put by Mahzan and Veerankutty (2011) advances in information technology (IT) continuously render control procedures obsolete. Review of current audit systems and practices show a visible leaning towards audits that are sensitive to the social implications of financial transactions-hence focus on issues of economy, efficiency and effectiveness in resource use.

Clearly emerging from this literature review is that audits are integral aspects of sound public administration. They institutionalize values of accountability, transparency, value for money (efficiency, effectiveness and economy), integrity, propriety, and financial solidity within the operations of government ministries and state bodies and in this way enhances state credibility

and legitimacy, Elder *et al*, (2010). Equally visible is the close link between public audits and parliamentary financial control; in fact legislative oversight in the absence of sound audit systems is a nullity. These ensure the availability of accounting data (records and summary of the activities of an organisation in terms of money).

These accounting records provide the basic information infrastructure upon which audit reports are made. Underlined here is the critical role of government ministries, departments and state companies in ensuring that by the prescribed audit period, all expenditure vouchers and other documents showing proposed or past financial transactions are available for audit. The need for such audits is compelling in developing countries where budgeting is mostly conducted under emaciated fiscal conditions. Organisational independence, formal mandate, unrestricted access, sufficient funding, competent leadership and competent staff and clear-cut professional audit standards recurrently feature as integral elements of sound public audits (The Institute of Internal Auditors 2006)

Independence, according to Rutherford (1983) is enhanced when the constitutional position of the auditor is separate from the body to be audited, when the body to be audited does not control the level of funding, when the auditor has unqualified right of access to the records of organisations, and also when parties who receive the audit report are clearly specified in the constitution governing the audit. Organisations being audited should not have the right to suppress or vary the contents of the report. Public audit operational frameworks should be conceptualised within a, principal-agent relationship, officials acting as the agents of the principals Martmort (2001).

The agent must periodically account to the principal for the use and stewardship of resources and the extent to which the public's objectives have been accomplished. The principal relies upon the Comptroller and Auditor-General to provide an independent, objective evaluation of the accuracy of the agents accounting and to report on whether the agent uses the recourses in accordance with the wishes of the principal. The need for a third party to attest to the authenticity of the financial reporting, performance results and compliance justifies the importance of public audits. The research seeks to ascertain if the roles of public audits are being upheld in Zimbabwe through the Audit office which has the mandate of conducting periodic public audits in the Zimbabwean public sector.

## **2.7. Legal frameworks that back the Audit Office**

Zinyama (2013) propounded that there are three significant legal instruments that administer the function of the Audit Office, namely the Constitution of Zimbabwe which is the supreme law of the land, the Audit Office Act of Chapter 22:18 which repealed the Audit and Exchequer Act Chapter 22:03 and the Public Finance Management Act. Constitution of Zimbabwe Amendment (No. 20) discusses the issues pertaining to finance. Section 302 of the Constitution provides the Consolidated Revenue Fund (CRF) into which all fees, taxes, and other revenues of the Republic shall be paid while Section 303 specify conditions under which monies can be withdrawn from the CRF. Section 306 deals with authorization of expenditure from the fund and Section 304 tackles issues of dept. these sections are paramount as they form the background upon which public accountability, rules, regulations, standards and anticipations are articulated.

The Public Finance Management Act Chapter [22:19] denotes that the act seeks to provide the control and management of public resources and the protection and recovery thereof, to provide for the appointment, powers and duties of the Accountant-General and of his or her staff, to provide for the national budget, to provide for the preparation of financial statements, to provide for the regulation and control of public entities, to provide for the raising, administration and repayment of loans by the state and for the giving of guarantees in respect of certain loans, to provide for general treasury matters, to provide for the examination and audit of public accounts, to provide for matters pertaining to financial misconduct of public officials, to repeal the Audit and Exchequer Act [Chapter 22:03] and the State Loans and Guarantees Act [Chapter 22:13] and to provide for matters connected with or incidental to the foregoing.

Chapter 17 Part 5 of the Constitution further purports the functionality and the structure of the Audit Office as it emphasizes on issues pertaining to the Auditor General and his or her functions regarding safeguarding public funds and resources, appointment of the Auditor General, independence of the Auditor General when carrying out his or her duties, remuneration of Auditor General, removal of the Auditor General from office and the staff of the Auditor General. The Audit Office Act Chapter 22:18 deliver compendiously for the salary, powers and mandate of the Auditor General and his/her staff, reports, implementation of the Audit Office Commission and its functions, conditions of service of its employees. The research seeks to investigate the effectiveness of the three major legal instruments in strengthening and

substantiating the Audit Office's functions of promoting public expenditure management systems in the Zimbabwean public sector.

## **2.8 THEORITICAL FRAMEWORK**

To analyse the rationale of the role played by the Audit Office in promoting public expenditure management systems in Zimbabwe, the study will make use of the Principal Agency theory. In principal agency theory, Sijpesteijn (2011) propounded that, a principal delegate's decision making responsibility to an agent; in the case of a company the agents are the directors or managers. The theory implies entrusting resources to the agent and in turn these agents must usually produce a report regarding the use of resources both in quantitative and qualitative manner. Those entrusted with decision making authority are generally regarded as having a duty of 'accountability', a duty to demonstrate how they managed the resources entrusted to them. On this note, the government as the principal delegates decision making responsibility to sub government ministries, departments and parastatals that play the role of agents. As agents they are required to give an account on the usage and management of the resources and funds entrusted to the through the budgetary process. The agents submit are required to submit annual reports and financial accounts to the Audit office that is the guarding of the national purse and a watchdog ensuring effectiveness, economy and efficiency in the management and usage of public resources entrusted to the agents.

Principal Agency theory, Watts and Zammerman (1986) suggest that the auditor is appointed in the interest of both parties as well as the management. On this case, the principal can be regarded as the Zimbabwean government and the Government ministries plays the role of the agent as they are required to submit reports to the Audit Office regarding to the resources entrusted to them. Therefore this connote that the Auditor Office was established on behalf of the government and the general populace, to enhance a culture of accountability, integrity, legitimacy and value for money in the conduct of public business. The theory also project the actual relationship that should exist between the Audit Office and both the government and the general populace who happen to be tax payers. It is through the principal agency theory that one enables to analyse the relationship of the government, Audit Office and the general populace at large which happen to be the tax payers and customers of the government.

Sijpesteijn (2011) further noted that, on behalf of the principal, the auditor assesses whether the financial statements, prepared by the agent, present a true and fair view of the company and are prepared in accordance with general accepted accounting principles. The financial statement audit makes management accountable to shareholders for its stewardship of the company. On this note, this contradicts with the current Auditing system in Zimbabwe, as many governmental ministries as stewards of the governments resources, have been lagging behind in the submission of reports to the Audit Office which has compromised the mandate of the Audit office in Zimbabwe. The legal frameworks backing the Audit office do not give the office sanctioning powers to compel ministries to comply with the expected auditing principles that they are mandated to follow for the public audits to be successfully conducted. This as a result has enhanced unscrupulous activities as unaccounted government funds and resources are being utilized by government officials to promote their personal interests. The theory is therefore relevant to the study as it enables one to note the level of compromise on the general auditing principles whereby government ministries, departments and parastatals lag behind in the annual report submission which has resulted to the failure of the Audit Office as the stewards of public purse, to give actual information on the performance and usage of public resources and funds.

Unlike other countries, the Audit Office is condemned for being counterproductive and inefficacious when it comes to executing its duties in the Zimbabwean public sector. Zinyama (2013) asserted that the present audit coverage is unsatisfactory and performance auditing at present is practised by the Audit Office only to a minor extent yet it is imperative for sound State governance and ensures value for money to achieve efficiency – the relationship between input and output (spending well), effectiveness – how well objectives are achieved and economy – minimizing the cost of activity (spending less). This as a result contradicts with the theory on the functionality and mandate of the Audit Office, as it has been lagging behind in the submission of annual audit reports to parliament and also failing to conduct auditing activities due to its lack of resources and funds to finance its activities internally and externally.

According to Audit quality (2005) auditors are engaged as agents under contract but they are expected to be independent of the agents who manage the operations of the business. The primary purpose of audited accounts in this context is one of accountability and audits help to reinforce trust and promote stability. Although the Constitution of Zimbabwe and Audit Office

Act Chapter 22:18 provides for the independence of the Audit Office, there is still a challenge for the audit office to enjoy such independence and supremacy in reality and this therefore hinders the office from successfully executing its mandate. For the Audit Office to triumphantly conduct its functions in the private sector auditing, there is need to urgently readdress the existing legislative framework to include issues pertaining to budget, remuneration and employment. Zinyama (2013) asserted that there is also need to urgently address the accounting skill requirements in the Ministry of Finance as well as line ministries to ensure prudent financial management and control as well as to enhance transparency and accountability in the use of public funds and state property. The Zimbabwean Audit Office

According to Zinyama (2013) in Zimbabwe, the legal framework comprises of the Constitution and the Public Finance management Act [Chapter 22:19] and Audit Office Act [Chapter 22:18] that repealed the Audit and Exchequer Act Chapter 22:03. The Constitution of Zimbabwe, Section 106 allows the President, after consulting the Public Service Commission (PSC) to appoint the Auditor General and remove him/her from office. Comprehensive auditing denotes that the Auditor General is independent. The Audit Office should be independent on issues that include resources, relationship with entities audited, the rectitude of the employees and autonomy to deliberate on a work programme among other factors. The Auditor Office in Zimbabwe is deprived of these privileges (Kavran 1989).

The principle agency theory plays a paramount role to the research study as it ascertains the mandate and expectations required from the sub government ministries and departments and parastatals as agents rendered the trust over public resources and funds. It is through the theory that one understands the duties of assessing financial statements submitted by agents making sure that they present a true and fair view of the usage and management of public resources entrusted to them. The principle agency theory enables one to contrast the ideal auditing systems and the actual auditing systems portrayed by the Zimbabwean public sector auditing systems, for instance, the theory emphasises that the Audit Office as the agent entrusted with the mandate to enhance accountability, transparency, economy, effectiveness and efficiency in the management, usage and allocation of the national budget, has to be independent in his or her activities and also assess if financial reports submitted present a correct and genuine view of the government ministries, departments and parastatals and also check if the reports were prepared in accordance



to the general auditing standards, thus on ground the precepts proposed by the theory are not being adhered to.

## **2.9 Summary**

The literature review discusses the definitions of auditing by multihued scholars, types of audits conducted in the public sector, legal framework backing the function of the Audit Office, role of the public audits in the public sector and general principles of an effectual public sector auditing. The hiatus pinpointed in the literature review created the ground to bring a trend to the research and to single out the gaps omitted by other scholars. The theoretical framework utilised the principal agent theory to ascertain the shortfalls of the Zimbabwean public sector auditing systems and further denote the difference between the expected auditing standards and the actual being recorded on ground.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0. Introduction

This chapter discusses the techniques and methods that are utilised in gathering and analyzing data. The research will adhere to desk research which include academic books, professional journals, articles and newspaper articles and the field research which include the use of interviews. Desk research was conducted to broadly review and to get an appealing understanding of the role played by the Audit office in enhancing public expenditure management systems in Zimbabwe; hence on the other hand field researches were administered to gather germane data.

#### 3.1. Research Design

Blanche et al (2006) noted that a research design is a plan or blue print of how a researcher intends to conduct a study. These are plans on sampling, methods of data collection and how data would be processed and analysed to give meaning to research findings. Punch (2003) delineated research design as the overall plan for the research which comprise the strategy, the conceptual framework, the questions of who/what will be studied and the tools to be used for collecting and analysing empirical data.

Kothari (2004) postulated that a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Research design can also be defined as the study of methods and techniques employed by which knowledge is attained. Kothari (2004) further asserted that research design stands for advance planning of the methods to be adopted for collecting the relevant and the techniques to be used in their analysis, keeping in view the objective of the research and availability of staff, time and money. The research design is paramount to the research study as it facilitates an easy flowing of various research operations, by means of that fact making the research study as fruitful as possible reaping highest possible data with minimal disbursement of exertion, time and money. The research design allow the research to cultivate or

constellate the much needed information and helped to understand how the Audit Office has been doing to enhance public expenditure management systems in Zimbabwe.

In this research, a qualitative approach will be applied for the gathering of data. Craswell (2007) defined qualitative research as a situated activity that starts with the assumptions, a world view, and the possible use of theoretical lens and study of research problem inquiring into the meaning individuals or groups ascribe to a social human problem. Qualitative research will enable the research to get an insight into attitudes, beliefs and motives as well as behaviour of targeted population (Scates 2005). Gall et al (2005) propounded that qualitative research is concerned with finding the answer to questions which begin with why, how, when and what. On this note, this enabled the research to unearth the motive on why the Audit Office has been failing to successfully execute its role of promoting sound public expenditure management systems in the public sector in Zimbabwe.

This approach is also important for this research because secondary sources are easily accessible through the writings of prominent scholars and individuals scrutinizing the role played by the Audit Office in promoting public expenditure management systems in Zimbabwe and highlighting the changes that hinder the Office from positively executing its duties over the years. The article commences by examining announcements, government reports, press cutting, media reports and relevant government auditing literature concerning the institutional arrangement, role, status and structural challenges of the Audit Office in promoting public expenditure management systems in Zimbabwe.

### **3.2. Sampling**

Bhattacharjee (2012) defined sampling as the statistical process of selecting a subset of population of interest for purposes of making observations and statistical inferences about that population. On that note, it is ultimately paramount to select a sample that is truly of the population so that the inferences derived from the sample can be generalized back to the population of interest. Kothari (2004) also defines sampling as the selection of some part of an aggregate or totality on the basis of which judgment or inference about the aggregate or totality is made. In other words, it is the process of obtaining information about an entire population by examining only a part of it.

Chambers (2001:26) purported that researchers rarely survey entire population because the cost of a census is too high. The three main advantages of sampling are that, since it is not practical to involve all members of the population in the research project, it enabled the researcher to select the appropriate respondents who have in depth information pertaining to the research topic and the sample representatives provided the image or characteristics of the whole population, it guaranteed one with the similarity and ameliorated the velocity and quality of the data gathered, and lastly attracted relevant information as one's sample only targeted individuals who are involved in the field of auditing and have an understanding of public sector auditing.

### **3.2.1. Sampling frame**

A sample can be simply be defined as a list of directions the target population. It is the total population under study. Turner (2003) defined a sample frame the set of source materials from which the sample is selected. The definition also encompass the purpose of sampling frames, which is to provide a means for choosing the particular members of the target population that are to be interviewed in the survey. Levy and Lemeshow (2008) defined a population as a group of individuals in which a sample is drawn. A population can be defines as all the individuals or items with the information and characteristics essential to the research study. The population targeted for the research comprise of university students, professionals in the field of auditing and other officials of government departments and parastatals.

### **3.2.2. Sample size**

Bryman (2012) defined a sample size as a number of people that would interviewed and observed. A sample is a subject of the population on which observations would be made. Bhattacharjee (2012) defined a sample size as an accessible section of the target population from where a sample can be drawn. A sample is selected because it is unachievable to conduct research on each and every subject of the population. A sample of interviews will also be executed on one on one basis whereby the interviewer will be posing questions to the interviewee who will be responding by giving answers to the questions posed by the interviewer. A sample of 25 respondents was chosen for this research and these include 10 students, 5 internal government department auditors, 5 private sector auditors and 5 auditors from parastatals. The

targeted sample size will be chosen basing on their level of knowledge and expertise pertaining to public sector auditing.

**Table1. Sample population**

| CATEGORY                               | POPULATION | SAMPLE | FREQUENCY |
|--|------------|--------|-----------|
| University Students                    | 10         | 8      | 80%       |
| Professionals in the field of Auditing | 5          | 3      | 60%       |
| Government Department Officials        | 5          | 5      | 100%      |
| Parastatal Officials                   | 5          | 4      | 80%       |
| <b>TOTAL</b>                           | 25         | 21     | 84%       |

The research study targeted 25 respondents as a sample population and these included 10 university students, 5 professionals in the field of auditing, 5 government department auditors and 5 parastatal auditors. However due to the issues of accessibility and inconveniencies, a sample of 21 respondents is expected to cooperate and give relevant information in conduction with the research topic

### **3.2.4. Sampling technique**

The research utilized the expert sampling technique. Expert sampling according to Bhattacharjee (2012) is a technique where respondents are chosen in a non-random manner based on their expertise on the phenomenon being studied. The advantage of this technique is that since experts tend to be more familiar with the motif than non-experts, sentiments from a sample of experts were more plausible than a sample that encompass both experts and non-experts although the judgments are still not generalizable to the overall population at large.

### **3.2.5. Justification of the sampling technique**

In expert sampling there is a palatial venture that the researchers interests will be advanced and new potential doors will be opened as the research targeted population are individuals who have a particular expertise in the field of auditing. Expert sampling technique also attracts relevant

information pertaining to the research topic as the technique targets experts who are already in the field of auditing and those who completely have a know how pertaining the public sector auditing system in Zimbabwe. On this note, expert sampling technique enables the researcher to attain relevant and substantive information on the role played by the Audit Office in promoting public expenditure management systems in the public sector.

### **3.3. Data collection methods**

The research accustomed both primary and secondary data sources so as to guarantee the validity of the information to be collected. The primary data was collected through interviews and observations. Reports and publications of various bodies connected to auditing, books, historical records and other published information were also utilised in order to get prominent relevant data for the research. The equipment used for the research comprised pen and paper. Kothari (2004) defined primary data as the information which are collected afresh and for the first time, and thus happen to be original in character. Primary data was collected in the field using interviews and observations.

Van Nederpelt and Daas (2012) defined secondary data as ‘data that was collected and interpreted at least once for some specific situation other than the one under study’ , thus is the information already available or in existence. On this note, relevant data from different sources that include books, reports, historical records, publications by bodies connected to auditing and other published information was compiled.

#### **3.3.3. Desk research**

Desk research is normally involved in gathering information from already existing documents hence it is regarded as a cheap technique contrasted to field research where one requires resources, time and money which turns to be expensive. Desk research denotes to secondary information or data which can be gathered without conducting fieldwork. Desk research and documentary research are the primary methods of data collection to be employed for this study. This is, as mentioned above, because the topic on the Audit Office has been comprehensively examined especially after the implementation of the Audit Office Act Chapter 22:18 in Zimbabwe.

Desk research has been paramount in that due to technology the extraction of interviews and discussions conducted over the years in the international as well as the Zimbabwean media made the research easier to undertake. The sources quoted in this research emanated from past electronic and print media interviews and discussions with prominent members of the Zimbabwean and international community. These media groups were useful in that they provided me with the views and perceptions on Zimbabwean Audit Office from prominent members of different community as well as Zimbabwean leadership that one would not have been able to reach for interviews without technology.

#### **3.3.4. Interviews**

McNamara (1999) propounded that, in this method the interviewer personally meets the informants and asks necessary questions to them regarding the subject of enquiry. Usually a set of questions or questionnaire is carried by him or her and questions are also asked according to that. Walliman (2011) explained an interview as a face to face / telephone conversation between the interviewer and the interviewee. Lacobucci (2005) added that an interview is “a verbal technique for obtaining data”. The major purpose of this technique is to get a full understanding of the respondent’s action and discover more fundamental reasons underlying the respondent’s attitude

On this note the interviewer will proficiently collect the data from the informants by cross examining them through interviews. The targeted group are 10 university students, 15 professionals in the field of auditing and internal auditors from different in both micro and macro organisations. This target group for interviews is paramount as their level of knowledge and understanding of the role played by the Audit Office in enhancing public expenditure management is both objective and subjective hence it will enable one to have balanced data.

#### **3.3.5. Observations**

Clough and Nutbrown (2006:46) defined an observation as simply looking critically or openly in order to get evidence and information. Cohen et al (2000:305) added that observations afford the research the opportunity to gather live data from live situations. He also denoted that observations enable the one who is conducting the research to see things that might be

unconsciously missed, to discover things that participants might not freely talk about in interview situations to move perception based data and to access personal knowledge.

### **3.4. Data Analysis**

The data analysis technique to be used in the research is the comparative data analysis. Cress and Snow (2000) defines comparative data as the procedure that identifies the combination of factors that had to be presented across multiple cases to produce a particular outcome. This enhances the idea of interpreting diversity and selecting different trails that lead to results of interest and thus make mode of analysis especially relevant to situation with complex patterns of interaction among the specified condition.

This analysis technique will allowed one to compare data from different sources in order to analyse it. This method is important because the topic of the role of the Audit Office in enhancing public expenditure management systems in Zimbabwe is reflective, hence in each interview they might be an element of bias and value laden responses. The major findings one will come out with will be a result of scrutinized media discussions and then gathering that data so as to point out loopholes and strengths, similarities, differences, logic and lack of it thereof from each person involved in a different interview or discussion.

The research also made use of thematic analysis in analyzing data. Brain and Clarke (2006) defined thematic analysis as a method for identifying, analyzing and reporting patens within data. It minimally assembles and describes data set in detail. Will (2000) further defined thematic analysis as an approach to dealing with data that involves the creation and application of codes of data. This analysis technique helped the researcher review the information gathered, note the relevant data and lastly assemble the information in categories. The analysis technique further enabled the researcher move the gather data about the role of the Audit Office in enhancing sound fiscal prudence and effective, efficient and economic public expenditure management systems from a broad reading of the data towards discovering patterns and developing it into themes. Thematic analysis helped the researcher organize and develop an in depth admiration of the content as it is flexible. It also enabled the researcher develop a more effectual and fine grained analysis as data as the gathered data was grouped under themes.



### **3.5 Ethical Considerations**

Connolly (2003) asserts that research ethics involve consideration of the conduct researchers in relation to their own personal behaviour as well as how they relate to and treat others during their research. Ethical considerations are about identifying certain norms and standards of behaviour that researchers are expected to follow. On this note, one upheld the ethical principles through making efforts to ensure that the research participants feel secure and at ease before and during the interview process by firstly seeking an informed consent of all the targeted respondents who were to participate in the research study, giving detailed information pertaining the research topic before the set day for the interview, explaining to the participants the nature of the research is clearly meant for academic purposes and everything they contribute will only be used to enhance the interviewer's academic endeavors. One also gave the participants an opportunity to select venues suitable and convenient for them, right to retrospectively withdraw their consent to participate in the study and lastly showed appreciation and gratitude for the time and effort the participants gave to the research.

### **3.6. Summary**

This chapter proffered a research design which was explanatory research design, and both qualitative and quantitative research methods were applied. The chapter also dwelled on the sampling frame and sampling size. Expert sampling technique is also mirrored as a sampling technique used in the research. Data collection instruments that comprise of interviews and observations were utilized in the research.

## CHAPTER FOUR

### PRESENTATION AND ANALYSIS OF RESEARCH FINDINGS

#### 4.1. Introduction

This chapter presents and analyses the findings assembled throughout the research study. The information congregated mainly focused on the nature of public sector auditing in Zimbabwe and the main reasons behind the failure of the Audit Office in promoting public expenditure management systems. Interpretation and analysis shall be conducted in this section to clarify the content in a bid to make the research understandable. On this backdrop, this chapter is paramount as it helps ascertain research inferences and also give path for recommendations in the hindmost synopsis chapter five.

#### 4.2. Gaps in the Empowering Legal Frameworks

Respondents were asked to give their views on the substantiality of the legal frameworks in capacitating the duties and functions of the Audit Office in Zimbabwe. Respondents noted that there are gaps in the enabling legal instruments that include the Constitution, Audit Office Act and the Public Finance Management Act, which are the empowering legal instruments seconding the functionality of the Audit Office in Zimbabwe. Respondents further expressed that the gaps in enabling legal instruments have enhanced the ineffectiveness and inefficiency in the execution of the office's activities as it does not give the Audit Office the approbating jurisdiction to obligate ministries and government departments to adhere and conform with the injection of the Treasury and other ground rules pertaining to the compliance of returns. On this note, it has been observed through the recent reports that government department and parastatals have not been complying with the subordination and on other hand virtually complete nonfeasance by government entities and departments to engender some chronicles and accounts essential for auditing.

As a result, the gaps in the empowering legal instruments has negatively bedeviled the functions and activities of the Audit Office as it has hindered its necessity to present the audited reports of government ministries and departments in Parliament, enhancement of economy, effectiveness and efficiency in the public sector management systems in Zimbabwe. On the other hand, the

gaps in the legal instruments hinder the creation of sound public expenditure management systems that ensure effectiveness, economy and efficiency is the usage and management of public resources and finances and hence limiting the rate of unscrupulous activities that are currently vast in the public sector. This is however emphasized by Zhou and Zinyama (2013) who noted that “a scrutiny of published reports revealed a uniformity of audit observations raised from year to year, which is evidence that little or no action is being taken on observations made. Through the admixture entities of above expedients resourcing and penurious reactions of government entities and departments, the Audit Office has been lagging behind in the quittance of yearly reports to Parliament. The gaps in the empowering legal instruments noted through the lack of sanctioning powers, failure to set proper appointment and removal procedures by the legal instruments, have led to the ineffectiveness and inefficiency of the Audit Office in conducting its functions in the public sector auditing in Zimbabwe.

#### **4.3. Absence of Independence**

Respondents propounded that the independence of the Audit Office was to a certain extent bound compromised as noted through the appointment of the Auditor General by the President in deliberation with the Public Service Commission. This as result hinges the idea of being independent as it forces the office to be a rubberstamp of the executive as the appointee in a bid to secure the position. It also forces the Auditor to be politically aligned to the existing ruling party which compromises the mandate and functionality of the Audit Office in the public sector. This however contradicts with Chapter 17 Part 5 of Section 311 of the Zimbabwean Constitution which propounds that the Auditor General shall not be subjugated to the instruction and constrain of any personage or authority other than the Parliament in the execution of his or her mandate. This ensures the imprint that the office experience an unimaginable independence in the fulfilment of its activities

Zinyama (2013) noted that the Auditor General “is not an independent public servant on the sense that she is appointed by the President after consultation with the Public Service Commission”, the only role Parliament may play “is to remove an Auditor General if more than half Member of Parliaments resolve that she is unable to discharge her functions. This as a result contradicts with the obligation of International Organisation of Supreme Audit Institution (INTOSAI) and African Organisation of Supreme Audit Institution (AFROSAI) criteria for a

Supreme Audit Institution (SAI) to be independent from the Executive concerning the designation of the Auditor General, the Legislature should be confabulated. This also confines with the recent progressions established by Constitutional Amendment Number 19 which recorded the Parliament playing a paramount role in the designation of Commissioners for different mandates. Respondent A further asserted that the Audit Office lacks independence from the Treasury which adjudicate and regulate the budget of the Audit Office. On that note, the Audit Office's ability to conduct performance audit, value for money audits and information audits on the Treasury is compromised, as the Treasury office is the financier of all the Audit office activities and functions. This as a result hinders the Audit Office from bringing the Treasury into book if any misconduct, unscrupulous activities are recorded.

This is further supported by Zinyama (2013) who propounded that the Treasury has the jurisdiction to contemplate on apportion the Audit office should receive from the Parliament. The establishment of the Audit Office Act Chapter 22:18 which remoted the Audit Office from the Ministry of Finance further incapacitated the independence though it's only practical on paper. Zinyama (2013) further quoted the Newsday (2010) in an article entitled "We are powerless-Auditor General" quoted the Auditor General's office propounding that "the Audit Office has no whip, it just make recommendations", thus it further emphasises the absence of independence of the Audit Office which as a result has negatively led to the dismal performance of the Office. This also contradicts with the stipulated instruments in the Constitution, Audit Office Act and Public Finance Act which advocates and ensures the independence of the Audit Office in the execution of its duties in the public sector.

Respondents asserted that the Audit Office in Zimbabwe lacks independence as it cannot publish reports without government censorship. Respondent C noted that "the Audit office is not rendered the jurisdiction to publicise audit reports gathered from the audit activities conducted by the office in the public sector. The government implemented policies such as AIPPA that guard against the release of critical information hence censoring and hinging the Audit Office as a public office, to give an to the tax payers. On this regard, the Audit Office has being lagging behind in the release of report updates on the efficiency, economy and effectiveness of the government pertaining natural capital concerns, monetary policy implementation processes and lastly the legality of government spending.

#### **4.4. Unattractive Remuneration**

Respondents asserted that issues relating the recruitment of experts in the auditing field are currently enormously slant in the advantage of the private domain as the state in the public domain are perceived as economically stricken. This is further purported by Zhou and Zinyama (2013) who noted that the Audit Office has encountered extreme staff turnover among the technically qualified and proficient staff. As a result of experienced and adroitness deficiency the Audit Office has been hindered from executing examinations and inspection of reports of speculated statutory organisations have turned to consulting private accounting organisations. The respondents also exclaimed that the current financial bankruptcy, lack of enforcement and economic shrink facing the government and parastatals will weaken the recently implemented Audit office Act Chapter 22:18 which meant to cement the public finance management in Zimbabwe.

Respondents further purported that in other administrations the Audit office inspects the reports of local authorities but rendered the personnel condition, it has not been able to conduct the audits, thus the unappealing remuneration, has contributed to the misappropriation of accounts and such conditions spearhead unscrupulous activities that include corruption, embezzlement of funds, misuse of government resources and the manipulation of resolutions towards enhancing personal interests. On this backdrop, unattractive remuneration has hindered the Audit Office from promoting public expenditure management systems in Zimbabwe.

#### **4.5. Budgetary Restraints**

The exercises of the Audit Office are financed from the national cake. Respondent A noted that “...due to the existing inimical micro economical ambient, the Audit Office has been encountering a series of challenges in financing its auditing activities”, thus it emphasizes the failure of the Audit office to conduct its auditing activities in the public sector as a result of the budgetary constraints. The Audit Office programs are immensely abridged. Zinyama (2013) quoted the Auditor General exclaiming that the Audit Office has lately been failing to conduct Audit touring activities regionally and internationally and the office could not afford to obtain most of the consumables, such as resources utilised during field work, outstanding to the bounded budget apportion.

Respondent B propounded that budgetary constraints have largely contributed to the failure of the Audit Office to conduct its activities in the public sector which has resulted to the escalation of unscrupulous activities that include the siphoning of public resources, misuse and mismanagement of resources to meet individual needs. This as a result has fostered poor service delivery of the government, lack of development and infrastructure, financial bankruptcy and the scarcity of resources and funds to meet public demands.

#### **4.6. Brain Drain**

Respondents noted that the Audit Office is encountering unyielding competition in assonating skilled personnel. The participants interviewed asserted that external organisations offer good remuneration compared to the Audit Office which is financed from the national cake. This is further supported by the Zimbabwean Parliamentary Report (2009) which emphasized that the playing ground relating to the recruitment of specialized adeptness is currently immensely skewed in advantage of the private sector as the state in the public sector are termed as sub economic, this further emphasise the notion that the Audit Office is encountering brain drain of specialised adeptness personnel to the private sector which is offering attractive remunerations in a bid to lure competent personnel hence enhancing transparency, accountability, effectiveness and efficiency in the usage and management of the resources entrusted to them by the stakeholders.

Respondent D emphasized that the utmost of expert personnel in the field of auditing prefer to work in the private sector. This deserts the Audit Office from attracting expert human resources to carry out the audit activities or programs. The research findings are in line with Zhou and Zinyama (2013) who noted that the shortage of resources, accelerated by the loss of proficient and expert personnel due to uncompetitive remuneration, has greatly tormented the quality and timelessness of financial reports prepared by the government ministries. This as result led to the failure of the office to enhance transparency and accountability of government departments and parastatals on the public resources and finances entrusted to them, failure to successfully conduct its auditing activities due to the lack of experienced personnel, the escalation of unscrupulous activities as incompetent individuals took over the accountancy and auditing. On this note, the issue of brain drain caused by the poor remuneration offered by the Audit Office has greatly affected the effectiveness of the office in executing its functions in the public sector.

#### **4.7. Political Interference**

Respondents interviewed asserted that politics has negative impact on the activities and functionality of the Audit Office in Zimbabwe. Respondents asserted that the Auditor General in Zimbabwe is appointed on the basis of their political elegance and affiliations, meaning that, for one to be appointed into the office they have to be politically aligned to the existing party despite their qualifications and experience in the auditing field. This is further ascertained by the Parliamentary Report (2009) which noted that the appointment of the Auditor General is made in consultation with Parliament and the incumbent is not a civil servant and holds office on terms and conditions fixed by the president, thus as a result, politics plays a paramount role as it negatively influences the functionality, recruitment and activities of the Audit office as the president would not appoint any individual who's interests contradict with those of the existing party he or she leads.

The situation in Zimbabwe can be likened to the one in Kenya, where according to Zhou and Zinyama (2013) the Comptroller and Auditor General is a presidential appointee, apparently with no obligations to consult with other specialised bodies. This further emphasise the negative impact of political interference as it enhances ineffectiveness of the Audit Office hence forcing the office to adhere to the political elites who will be consistently directing its activities and functionality since they the ones who determine as set terms and conditions of the Audit Office mandate and function in Zimbabwe. This undermines the independence of the Audit Office hence hindering it from carrying out its audit functions accordingly in fear of being removed from office by the appointees to happen to be influential political leaders.

An auditor in the public sector connoted that due to political interference, the Audit Office lacks access to auditing reports of some ministries and offices, for instance, the Presidential Office in Zimbabwe is immune from audits. Some documents and reports are regarded as government secrets therefore the Audit Office have no access to them. This however contradicts with the stipulated privileges and functions of the Audit Office inscribed in the constitution which are to have free access at all times to any records, books, vouchers, documents, public money or state property in the possession of any officer. On this note, political interference has a negative influence to the Audit office as it contributes to its failure to promote economy, effectiveness and efficiency in the public sector.

#### **4.8. Lack of Auditing Committees**

Respondents noted that government departments and parastatals do not have Audit Committees which makes it difficult to maintain the consistency regarding to the tabling of reports and conduction of annual chronicles. However on the other hand, the research noted most of private organisations have Audit Committees which ensures a smooth run of most private organisations hence enhancing accountability, transparency and stewardship on the management pertaining to the resources entrusted to them by the shareholders.

Respondents further propounded that the Zimbabwean Audit Committees in some of the local authorities to taking an example, are compromised of management and execute, limiting them independence to achieve its responsibilities. On this note, the unavailability of a public Committee which enforces the independence of the Audit Office hence promoting accountability, transparency and stewardship has led to the abuse of the Audit Office's independence, overburden of the office and hence its ineffectiveness and inefficiency in the public sector.

#### **4.9. SUMMARY**

This chapter proffered the research findings that were gathered by the research study. It highlighted the challenges bedeviling the Audit Office in Zimbabwe in its quest to promote sound public expenditure management in the public sector. Challenges that include the lack of audit Committees in the public sector, political interference, brain drain, budgetary constraints, negligence of the government towards audit recommendations tabled by the Audit Office, unattractive remuneration, absence of the Audit Office independence and lastly the gaps in the empowering legal frameworks backing the audit functions, were captured by the research study. The next chapter tables the summary of the research study, the conclusions and the recommendation that can be adopted to ensure the effectiveness of the Audit Office's functions in the public sector.



## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. INTRODUCTION**

This chapter discusses the conclusions drawn from the research study as well as the recommendations that can be considered by policy makers to capacitate the Audit Office's functions hence leading to the promotion of fiscal prudence and substantive public expenditure management in the usage and management of public resources and finances.

#### **5.2. CONCLUSIONS**

##### **5.2.1. Lack of Independence**

The study discovered that the Audit Office is not independent as expected and denoted by the Constitution, Audit Office Act Chapter 22:18 and the International Auditing Standards. Due to the appointment of the Auditor General by the President in deliberation with the Public Service Commission, the Auditor General is forced to be a rubberstamp of the executive in a bid to secure the position in fear of being disappointed as a result of contradicting with the interests of the appointees. The Audit Office also lacks independence from the Treasury which is the financier of the office's activities in the public sector. This further enshrines the office from enjoying its independence as it turs to be dependent on the Treasury for funds whenever it wants to conduct its programs. The lack of independence has contributed to the failure of the Audit Office to promote public expenditure management systems in Zimbabwean public sector.

##### **5.2.2. Gaps in the Empowering Legal Instruments**

The research study unearthed that the empowering legal instruments have not fully capacitated the functions and the activities of the Audit Office. The legal frameworks that include the Constitution, Public Finance Management Act and the Audit Office Act have failed to substantiate the Audit Office activities as they do not render the office authority and power to compel ministries, parastatals and government departments to adhere with the injection of the

Treasury and other regulations in relation to the adherence of returns. On the other hand, the legal frameworks in Zimbabwe are not being practically implemented on ground and this has led to the compromise of the Audit Office independence and failure of the office to fully function and establish comprehensive structures in the public sector which enhance economy, effectiveness and efficiency.

### **5.2.3. Unattractive Remuneration**

From the research findings, it was recorded that the Audit Office has been lacking relevant expertise due to issues pertaining to unattractive remuneration which has resulted to the vacation of experts in the field of auditing, to the private sector instead of the public sector which has been labelled as economically stricken. The research also recorded that as a result of unattractive remuneration the Audit Office has lately been encountering low staff turnover which as a result has contributed to the misappropriation of accounts and such conditions spearheaded unscrupulous activities that comprise of the embezzlement of funds, corruption, misuse of public resources and the manipulation of resolution towards enhancing personal interests.

### **5.2.4. Budgetary Constraints**

In the study, an observation was recorded in which the major difficulty encountered by the Audit Office in promoting public expenditure management systems is the budgetary constraints. The office is funded from the national cake and due to the economic meltdown facing the country; the Audit Office activities are greatly affected. On the other hand, the Audit Office does not have independence from the Treasury which budgets for the activities of the Audit Office. On this note, the office cannot acquire enough resources to carryout audit activities internally and internationally. As a result, this affects negatively the functions of the Audit Office.

### **5.2.5. Brain Drain**

The research study found out that the Audit Office is facing unimaginable competition in attracting skilled personnel. Private organisations are offering luring remuneration compared to the Audit Office which depends on the finances allocated from the national cake. The Audit Office is challenged by brain drain of specialised proficient personnel to the private sector which as a result forces it to consult and hire private auditors which is more expensive. Most experts in

the field of auditing prefer working for private organisations hence leaving the Audit Office deserted and in need of expertise to help enhance its activities.

#### **5.2.6. Political Influence**

The research also unearthed that the political sphere has greatly affected the functionality of the Audit Office. It was recorded that the Auditor General is forced to be politically aligned to the existing ruling party so as to secure her position which compromises the independence of the office and further hinders the office from carrying out its activities successfully. Mostly it is the executive arm of government that has control over the public resources and some of the Executive offices like that of the President are immune to audits which makes it easy for those offices to indulge in unscrupulous activities as they won't be brought to book. The Auditor General does not have access to documents and reports from the Presidential office and other government ministries as those documents and reports can be termed as government secrets, this further hinders the Audit office functions in the public sector.

#### **5.2.7. Lack of Audit Committees in the Public Sector**

The research unearthed the lack of Audit Committees in the public sector especially in government departments and parastatals which as a result has led to the inconsistency regarding to the submissions of reports, conduction of annual reports, adoption of policies regarding to auditing and the conduction of periodic accounting and financial processes. The Audit Committees available taking for example the Rural District Councils Audit Committees, are compromised of the management and executive, limiting them independence to enhance their responsibility. The unavailability of Audit Committees that act as watch dog to enhance the independence of Auditors, transparency, accountability, flexibility in the operations and functions of the Audit Office, has resulted to the failure of the office to enhance economy, effectiveness and efficiency in the usage and management of public resources and finances.

## **5.3. RECOMMENDATIONS**

### **5.3.1. Need to set appropriate appointment procedures**

The Auditor General in Zimbabwe is appointed by the President in consultation with the Public Service Commission which in turn has hinged the functionality and independence of the office in conducting its activities in the public sector. Instead the Auditor General should be appointed by the Legislative arm and be accountable to it on issues that pertains to its functions. On this note, there is need to adhere to the international standards on independence of the Supreme Audit Institutions and also the implementation of strong appointment laws and regulation that will protect the Auditor General's from the abuse of power by various government arms and the elite.

### **5.3.2. Attractive Remuneration**

The Audit Office has been failing to attract expertise in the field of accounting and auditing due to its incapability to offer competitive remuneration which has given the private sector an advantage over the public sector as it gives luring remuneration. To attract capable expertise, the Audit Office has to offer competitive remuneration and other employment conditions that will attract expertise from the private sector which currently has an upper hand over the Audit Office. The hiring of expertise in the Audit office will help curb brain drain and conditions of embezzlement of funds, misuse, abuse of public resources and the decision making thus easily enforced towards self-interest.

### **5.3.3. Financial Independence**

The Audit Office is currently financed by the office of the Treasury which as result created a dependency syndrome whereby the Audit Office depends on the Treasury for finances to carry out their internal and international auditing activities. The Audit Office should receive direct financial allocation from the national cake. This will enhance the independence of the Audit office to frame work plans and adjudicate as well as regulate its own budget.

### **5.3.4. Need to update legal and regulatory instruments**

The gaps in the legal and regulatory instruments have been curtailing the effectiveness of the Audit Office in executing its functions in the public sector. For instance, the Constitution, Public Finance Management Act and the Audit Office Act do not give the office sanctioning powers to compel government ministries and departments to adhere to speculated rules and regulations regarding to public auditing standards and activities primarily meant to promote economy, effectiveness and efficiency. To promote the effective to the Audit Office role in the public sector, the government has to update the legal and regulatory instruments so as to curb the unscrupulous activities being vastly recorded in the public sector.

#### **5.3.5. The government should take seriously the audit recommendations proffered by the Audit Office.**

The research recorded that the government has not been taking any action towards the audit recommendations proffered by the Audit Office. No action has been implemented; as a result, the similar problems have been consistently reported since the year of 2012. Reports on the embezzlement of funds, misuse, abuse and siphoning of public resources, have been tabled before the responsible ministers but no action has ever been made to bring into book the perpetrators. It is therefore paramount that the government value and take into consideration the audit recommendations proffered by the Audit Office. This as a result will ensure progress, effectiveness, efficiency and economy in the Zimbabwean public sector.

#### **5.3.6. Establishment of Audit Offices across Zimbabwe**

The Audit Office as a guardian of the national purse has one office in Zimbabwe which is situated in Harare. Many Zimbabweans do not have an idea about the functions and existence of the Audit Office. Its unavailability in other cities, has also contributed to its failure to enhance effectiveness, efficiency and economy in the public sector auditing which as a result has led to the escalation of unscrupulous activities. To curb the unscrupulous activities and also promote the effectiveness of the Audit Office in the public sector, there is need to establish Audit Offices in every city across Zimbabwe. The establishment of Audit Offices across the nation will halve the burden on the Auditor

General as most of the national auditing powers will be delegated to the sub Audit Offices who will be directly reporting to the Auditor General. As a result, this will promote the effectiveness of the Audit Office in enhancing public expenditure management systems in Zimbabwe.

### **5.3.7 The need to ensure adherence to the Legal Instruments**

Some government ministries and departments undermine the laws and regulation regarding to the public audits in the public sector. For instance, some ministries lately submit their reports to the Audit Office which does not have the power to compel those particular ministries and departments to adhere to the regulations pertaining to auditing which at the end hinges the effectiveness of the office in enhancing good public expenditure management systems in Zimbabwe. Like the Audit Office in Nigeria, the Audit Office should have a backing from the security forces such as the police or army as it conducts its public auditing activities in the public sector. On this note, it will help bring to book all the perpetrators of the law and also ensure seriousness to the adherence to the legal instruments backing the Audit Office.

## **5.4 CONCLUSION**

The research study was besotted by the notion that the establishment of the Audit Office was meant to enhance public expenditure management and fiscal prudence in the public sector, on this note, the Audit Office has not fully managed to enhance its mandate and activities which has led to the escalation of unscrupulous activities. The research findings connoted that the Audit Office is hampered by various challenges which as a result led to its failure to promote economy, effectiveness and efficiency in the Zimbabwean public sector. Recommendations were also proffered to help capacitate and curtail the challenges faced by the Audit Office hence substantiating its activities and mandate.

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## APPENDICES

### APPENDIX A

#### INTERVIEW GUIDE

My name is Simbi Marara, a student currently studying a BSC Honours Degree in Politics and Public Management at Midlands State University. I am conducting a research entitled ‘An analysis of the role played by the Audit Office in promoting public expenditure management systems in Zimbabwe’, *I politely ask you to partake in the research by answering questions with reliable and recent information.*

**All information provided will be kept private and confidential, to be used for purposes of academic enrichment and fulfillment of this study.**

Name of Respondent.....

Profession.....

Position of Responsibility: .....

Date.....

Sex        Female [ ]                      Male [ ]

1. What do you understand about public auditing and public expenditure management?
2. The Audit Office was implemented to promote both fiscal prudence and sound public expenditure management systems. Do you think the Audit Office has successfully enhanced its mandate in the public sector? Give an explanation to your answer.
3. There are many challenges harboring the functionality of the Audit Office. What do you think are the major obstacles being encountered by the Audit Office in the effort of promoting public expenditure management and fiscal prudence systems in Zimbabwe?
4. The Audit Office Act Chapter 22:18 repealed the Audit and Exchequer Act of Chapter 23:03. What are the improvements recorded after the implementation of the Audit Office Act in the public sector?

5. Can you comment on the legal framework seconding the operation of the Audit Office in the fulfillment of its mandate in the public sector?
6. Public sector auditing is mainly concerned with the auditing of government entities, ensuring economy, effectiveness and efficiency in the usage and management of government resources. What is the response of these government entities towards audit functions of the Audit Office?
7. With the unstable political environment in Zimbabwe, what are the implications of politics to the operation of the Audit Office in its quest to promote public expenditure management systems in Zimbabwe?
8. The Auditor General in Zimbabwe is appointed by the President in consultation with the Public Service Commission. What implications can the appointment process of the Auditor general bring to its functionality in the public sector?
9. Comment on the Zimbabwean Audit Office in contrast with those of countries such as Britain, India, Nigeria and South Africa, in relation with its success and failures in promoting public expenditure management systems?
10. Considering the current challenges facing the Audit Office, what are the recommendations that you can proffer to substantiate the Audit Office in the public sector?