



Effect of External Audit Opinions and Audit Committees on Financial Resource Management in Public Sector Entities

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ABSTRACT: External audit opinions (EAO) and Audit committees (AC) have been studied in different contexts, yet the link between them and the management of financial resources, especially in government entities in Tanzania, has empirically not been captured. This paper examined the influence of EAO and AC on managing financial resources taking Tanzania government entities as a reference. It uses resources dependency theory to explain the main topic. Data were collected on 230 government entities from Controller and Auditor General (CAG) reports and audited financial statements for 2014/15 to 2019/20. Descriptive statistics and the Fixed effect technique were used to analyze data. The results show that unqualified audit opinion occurred most among public entities. Specifically, the qualified audit opinion occurred most in LGAs. Also, a significant frequency of AC weaknesses appeared in LGAs and Public BICA.

Moreover, the estimation results show that audit report positively and significantly influences financial resource management (FRM), whereas AC weakness has a negative relationship with FRM. Therefore, the President's office and the Parliament should emphasize the management of resources strategies in public entities, especially LGAs. This paper will add knowledge on EAO and AC as tools for financial resources management in government entities.

Keywords: External audit opinions, audit committee, financial resource management.



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INTRODUCTION

This study explores the influence of external audit opinions and audit committees on financial resource management in government entities in Tanzania. This topic is vital because, like other countries, Tanzania adopted the Sarbanes- Oxley Act that advocates good governance and financial controls issues of which external audit and audit committees are one of the controls ([Wilbanks et al., 2017](#); [Baker et al., 2006](#)). Financial Resource Management (FRM) entails the procedures and regulations for managing public monies through budget formulation, execution and reporting of the results ([Dorotinsky, 2007](#)). The management of financial resources is

achieved through observing these procedures and regulations in terms of spending well the public monies, transparent and accountability. It is acknowledged by [Brignall & Modell \(2000\)](#) that FRM is an essential area in which organizations especially public sector entities (PSE), should take into consideration in performing their day-to-day activities. [Brignall & Modell \(2000\)](#) speculate that public finances must be managed well for the government entities to offer services to the public and achieve its policy objectives. FRM is explained in many ways; for example, [Güleç & Bektaş \(2019\)](#), and [Giacomino & Mielke \(1993\)](#) elaborate on FRM in terms of how an organization minimizes its expenses by using financial resources efficiently. It is evidenced from the literature that FRM has become the proper area to consider in organizations. Enron scandal occurred due to mismanagement of financial resources and the absence of corporate governance requirements ([Petra & Spieler, 2020](#)). In the public sector, FRM has been a more challenging issue because of improper use of financial resources among government entities and officials; hence intensive management of these resources is unavoidable ([Hillman et al., 2009](#)). Factors influencing effective FRM have been studied in several areas. Attributes like technology ([Scarpellini et al., 2018](#); [Przychodzen, 2015](#)), environment management ([Scarpellini et al., 2018](#)), and financial condition ([Hasthoro et al., 2021](#)) have been related to explain the importance of FRM in an organization. [Scarpellini et al. \(2018\)](#) exposed the positive influence of technology with FRM in Italian companies. Also, [Hasthoro et al. \(2021\)](#) tried to show the impact of financial conditions proxied by financial flexibility on financial resource performance in Indonesia. The results reveal the positive effect of financial condition on resource management. However, there has been little coverage about the association of FRM with audit opinions (AO) as well as audit committees (AC). Researchers who considered AO and AC relate them with other variables such as friendship ties ([Bruynseels & Cardinaels, 2014](#)) and corruption levels ([Budiman, 2021](#)). AO and AC have been theoretically proven to be crucial, especially concerning public money management in government entities. In Tanzania, these two aspects have been insisted on and practiced in each financial year by government organs such as the National audit office, the Parliament and the ministry of finance but the empirical evidence to prove the influence of AO issued to PSE and AC on effective managing of public financial resources is lacking. The impact of an effective audit committee on strengthening financial resource management in public entities forms the question of study for several reasons. First, it has taken a long time for some public entities, such as Local Government Authorities (LGAs), to establish audit committees.

Moreover, even the established audit committees are not effectively playing a pivotal role in assisting the entities in fulfilling their responsibilities ([URT, 2020](#)). Furthermore, the trend analysis on CAG audit reports in public entities has not been sufficiently studied. Also, many studies in Tanzania have not highlighted the weakness of audit committees, especially in government corporations and higher learning institutions. Therefore, this study will contribute to filling the empirical gap by assessing the audit opinions' trend. Secondly, examine the influence of external audit opinions on financial resource management and determine the extent to which audit committees relate to financial resource management in government entities by assessing the weakness of audit committees. Additionally, the results will improve people's knowledge on the importance of active audit committees in public entities that will achieve a sound resource management system and restore public confidence.

This paper's remaining parts include the theoretical review and study hypotheses. Then is followed by the methodology part; the last sections are results analysis and discussion and the conclusion.

Literature Review and Hypothesis Development

Resource Dependency Theory

The theory that underpins this study is Resource Dependency Theory (RDT) which conceptualizes that organizations depend on each other or on their environment to survive. They usually demand resources for persistence ([Pugh & Hickson, 1997](#); [Daft, 2001](#)). The resources needed by entities include financial resources, physical resources, human resources, and information. The range of how they depend differs from one entity to another. For instance, public entities like RS, LGAs and Higher Learning Institutions (HLIs) may depend more on the outside environment for money, personnel and reliable information, which will enable in making the right decisions ([Masud et al., 2018](#)).

In contrast, other firms like manufacturing will depend more on materials and the quality of personnel ([Nandi et al, 2020](#); [Uygun, 2017](#)). Many studies have used RDT to assess the Audit committees (AC) and Board sizes, composition and independence as an index of AC ability to effectively provide a resource to the entity ([Hillman et al., 2009](#)). For example, [Pfeffer & Salancik \(1978\)](#) revealed that AC and Advisory/ governing board size are related to the entity's environmental needs. Those with more interdependence need more directors from outside. The study further highlighted that AC composition and size are not independent aspects but rather balanced entity replies to the situations of the outside environment ([Pfeffer & Salancik, 1978](#)). Moreover, [Sanders & Carpenter \(1998\)](#) support these logical ideas by explaining that the board size within it has AC has to be related to the entity's level of internationalization. On top of that, several studies ([Dalton et al., 2007](#); [Daily & Dalton, 1998](#); [Fiegener et al., 2000](#)) relate the AC size, composition, effectiveness and independence with the entity's performance as a measure of successful resource dependence strategy. Therefore, from these explanations, this study is using RDT to emphasize the importance of human resources (AC committees' members in our case) and reliable information from the CAG report that will enable the public entities to manage the financial resources efficiently.

Audit Opinions and Financial Resource Management

The audit report is an expression of opinion on the final accounts. The requirements on how to draw audit opinion is shown in CAG reports in line with audit standards that are internationally recognized. The audit standards that explain audit opinions are ISA 700: Forming an opinion and reporting on financial statements, ISA 705: Modification of opinion in the independent auditor's report and ISA 706: Emphasis of matter and other matter paragraphs in the independent auditor's report. As per ISAs, audit opinions are classified into Unqualified/Unmodified/ Clean opinion, Qualified opinion, Adverse opinion and Disclaimer opinion. As shown in chapter two of the CAG report 2019-2020 financial year, a clean opinion is drawn when the financial statements presented are free of material misstatement and are in conformity with applicable accounting framework, including compliance with laws and regulations ([URT, 2020](#)). It is the best audit opinion an audited entity may receive from an

external auditor. A qualified opinion is drawn when material misstatements (disagreements due to inadequate disclosure, inappropriate accounting treatment, or limitation of audit scope) exist in the audited financial statements. An adverse opinion is drawn when there are misstatements in the financial statements, and those misstatements are material but not pervasive, and a disclaimer opinion is expressed by the auditor when he is unable to find sufficient and appropriate audit evidence on which to base the opinion, and the auditor concludes that the undetected misstatements, if any, could be both material and pervasive ([URT, 2020](#)).

It has been clarified that AO issued by auditor has relationship with financial resource management in a particular organization ([Ntim et al., 2017](#)). When the entity receives a clean audit report, it comes to people's mind that such entity manages well the resource in that particular financial year ([Goddard & Malangila, 2015](#); [Morin, 2008](#)). From this argument, the vice versa is true that when the entity receives a qualified, adverse or disclaimer opinion, it indicates that it has not managed the financial resource well. It is further elaborated by [Mzenzi & Gaspar \(2015\)](#) that when a public entity in Tanzania gets a disclaimer or adverse opinion, the people's representatives (members of Parliament) react negatively. This is because they believe that the public financial resource in that particular entity might have been poorly used and that there is fraud. From this argument, the first hypothesis is developed that:

H1: External audit opinion positively influence financial resource management

Audit Committees and Financial Resource Management

Regulation 30 of the Public Finance Regulations, 2004 in Tanzania requires each public entity to establish an AC ([URT,2004](#); [URT, 2019](#)). Regulation 31(1) of the Public Finance Regulations (2004) requires an AC to consist of senior members of the entity who are to be selected by the entity's executive officers, and one or more members should be an officer from outside the entity. The nominated AC must be between three to five members, and at least one of the members should possess accounting and auditing knowledge. Moreover, the committee's primary function is to oversee public resources, good governance, risks and internal controls issues. It is believed that the effectiveness and efficiency of these audit committees in public entities will reduce money fraud and maintain accountability in the financial resource management in public entities ([Hamid et al., 2015](#)). Another study by [MacGregor \(2012\)](#) highlighted that the effective audit committee minimizes deficiencies and efficiently manages public resources in government entities. So, the study hypothesized that:

H2: There is a significant relationship between audit committees and financial resource management

METHOD

Data source

This study utilizes panel data extracted from the Tanzania Controller and Auditor-General audit reports for six years spanning from the financial year 2014/15 to 2019/20 obtained from the national audit office. These reports were considered relevant because it contains data on trends

of audit opinions issued to public entities, internal controls, corporate governance issues such as internal audit, audit committees, governing and advisory boards, budget issues and weaknesses of audit committees (CAG, 2018). These reports have been used to assess whether public financial resources have been well utilized and managed (Alcaide Muñoz et al., 2017). To minimize the endogeneity problem, some data that were not available on the website and were found by researchers to be more valuable were provided by specific officers from the national audit and those from the respective public entities. However, the public entity that found it difficult to obtain some information on study variables was dropped from the study.

Study Design and Sampling

Descriptive design is used since the core intention of this study is grounded in describing the situation of resource management based on auditor’s reports (Affandi et al., 2020). The selection of public entities involved in this study followed a multi-stage sampling technique. At first, purposeful sampling was used (Miloane, 2021) to select all audited public entities for 2014/15 to 2019/20 involving government corporations, government higher learning institutions and local government authorities. Secondly, stratified sampling was used to determine the representative sample from each stratum (Etikan & Bala, 2017) in the three groups of government entities. Thirdly, systematic random sampling was then applied to select individual public entities from the three identified strata for further analysis.

Sample size

A total of 230 public entities were taken as a sample size for this study. These public entities include 106 Public Boards, Institutions, Corporations and Agencies (Public BICA), 30 Higher Learning Institutions (HLIs) and 94 Regional Secretariat and Local Government Authorities (RS and LGAs). The sample size was determined following Yamane (1967) formula given by Equation1.

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

Where n is a sample size, N is the population size, e is the significance level. The population of public entities identified was 536 of which 247 were Public BICA, 70 were HLIs and 219 were RS and LGAs. Using a 5% significance level, a sample size of 230 public entities was chosen. A sampling fraction was developed to get a representative sample from each stratum as indicated in Table 1.

Table 1: Sample size determination

Public entities	Population	Sample	Percent
A public corporations, Board, institutions and Agencies	247	106	46.1
Higher Learning Institutions	70	30	13.0
Regional Secretariats and Local government Authorities	219	94	40.9
Total	536	230	100

Source: Author computation (2022)

Data Analysis

Pearson test was used to test multicollinearity between independent and unobservable variables to see whether there is autocorrelation. If there is multicollinearity, it means the results are biased ([Disatnik & Sivan, 2016](#)). Also, the Hausman test was done to decide the method of analysis between the Fixed Effect Model (FEM) and Random Effect Model (REM). The null hypothesis was REM is appropriate, and the alternative hypothesis was that FEM is appropriate ([Amini et al., 2012](#)). After running the Hausman test, the null hypothesis was rejected, and FEM was found suitable for this study. The study's independent variables are External Audit Opinions (EAO) and Audit Committees (AC). All these variables were used to test two developed hypotheses using FEM. The following model was used to explore the influence of EAO and AC on financial resource management in government entities in Tanzania.

$$FRM_{it} = \beta_0 + \beta_1 EAR_{it} + \beta_2 AC_{it} + \varepsilon_{it} \dots \dots \dots (2)$$

Where; FRM is Financial Resource Management proxied by operating expenses ratio, EAO is External Audit Opinions measured by the kind of AO drawn in six financial years. AC Audit Committees measured by frequency of weaknesses reported in public entities appeared in six financial years, β_0 is a constant term, β_1 and β_2 are coefficients and ε is an error term. Table 2 below summarizes the study variables, measurements and references adopted.

Table 2: Variables and measurements

Variable	Measurement	Description	References
FRM- Financial Resource Management	OER-Operating Expenses Ratio	Operating costs minus depreciation divided by gross revenue * 100	Güleç and Bektaş (2019) ; Panno (2020) , Iskandar (2020) ; Lee et al (2015) ; Swarnapali (2014) ; Giacomino and Mielke (1993)
EAO- External Audit Opinion	Type of audit opinion issued		Hui et al (2020) ; Hasthoro et al (2021) ; Nwanyanwu (2017) ; Lin et al (2011) ; Mzenzi and Gaspar (2015)
AC-Audit Committee	Frequency of weaknesses reported		Zhou et al. (2018) ; Gramling et al. (2009) ; Haonga (2020) , and Kyaruzi (2015)

Note: * is a multiplication sign.

RESULT AND DISCUSSION

The Assessment of Audit Opinions on the Use of Public Resources

The first objective intended to evaluate the trend of audit opinions on the use of public resources in public entities. Descriptive results covering the independent variable concerning the audit opinions and the use of public resources are presented in Figure 1. According to the

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results, it shows that about 85.8% of audit opinions, unqualified opinions appeared most (1169 times) among total observations of 1362, followed by qualified opinions, which was 13.5% (appeared 184 times), and 0.5% (7 times) adverse opinion and lastly 0.1% (only two times) for disclaimer opinion.

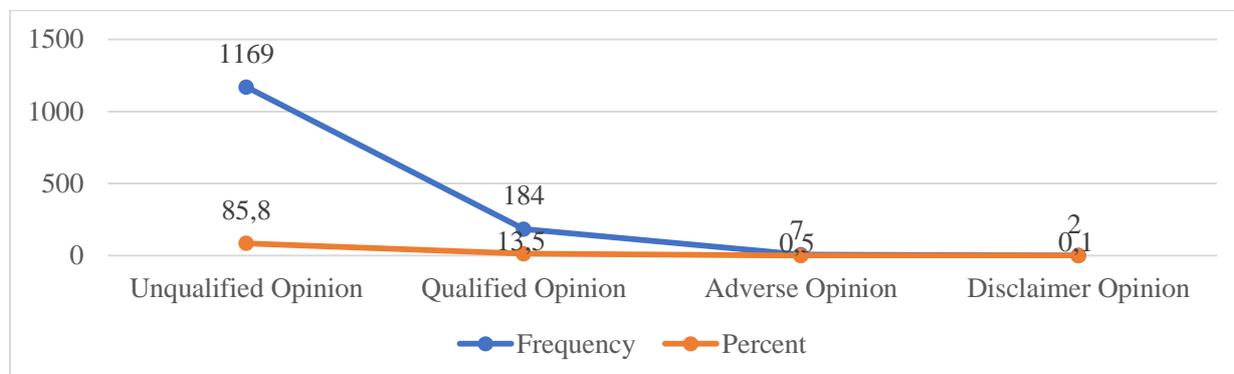


Figure 1: Trend on Audit Opinions

Source: Author Analysis (2022)

External Audit Opinions on Financial Resource Management Among Public Entities

The study also wanted to examine the correlation between EAO and resource management performance among public entities. The results of this objective are shown in Table 3. The findings show that Public BICA got 599 unqualified opinions, which is 51.2% of the total unqualified opinions in all public entities observed. The high number of unqualified opinions was followed by RS and LGAs, who got 395 unqualified opinions, equal to 33.8% of the total unqualified opinions. Lastly, Higher Learning Institutions (HLIs) got 175 unqualified opinions which is 15%.

Regarding qualified audit opinions, RS and LGAs read by obtaining 153 qualified opinions, which are 83.2% of the total qualified opinions (184), followed by 26 (14.1%) opinions for Public BICA, and lastly, higher learning institutions obtain only 5 (2.7%) qualified opinions. On the side of adverse opinions, RS and LGAs got four opinions out of a total of 7 adverse opinions obtained in all public entities. Public BICA got 3 (42.9%), and lastly, higher learning institutions got nil. Disclaimer opinion was a bit better as only two disclaimer opinions were observed in Public BICA and nil for other categories of public entities.

Table 3: Audit opinions and resource management among groups of public entities

Public entities	Type of Audit Opinion				Total
	Unqualified	Qualified	Adverse	Disclaimer	
Public BICA	599 (51.2%)	26 (14.1%)	3 (42.9%)	2 (100%)	630
HLIs	175 (15%)	5 (2.7%)	0 (0%)	0 (0%)	180
RS and LGAs	395 (33.8%)	153 (83.2%)	4 (57.1%)	0 (0%)	552
Total	1169 (100%)	184 (100%)	7 (100%)	2 (100%)	1362

Note: Public B.I.C.A. = Public boards, institutions, corporations and agencies, R.S. =Regional secretariat, L.G.A.s = Local government Authorities, HLIs= Higher Learning Institutions

Source: Author computation (2022)

Audit Committees on Financial Resource Management in the Respective Entities

Finally, the study wanted to assess the extent of the weakness of the audit committees among public entities in the years under review. Then, from this assessment to conclude whether audit committees in the public entities influence the management of public financial resources. To capture the main objective, the study firstly analyses the weakness of audit committees in general by combining all public entities to see which weakness (es) is really a problem; these results are shown in Table 4. Then from there to discover which weaknesses appeared mostly in each category of public entities; these results are indicated in Table 5.

As shown in Table 4, the descriptive results exposed that, on average, the most five weaknesses of public entities' audit committees are that audit committees do not review financial statements; this appeared 342 (25.1%) times among observations. The second weakness is that the committees do not meet as required by law 232 (17%). Another weakness is that audit committees do not have annual reports 150 (11%), which means they don't prepare annual reports as required by laws to assess their performance in that particular year. Moreover, according to descriptive results, the independence of audit committees in executing their duties was questionable. Lack of independence appeared 109 times (08%). Similarly, management and governing boards do not evaluate the performance of audit committees. This had the same frequencies of occurring as that of independence; they occurred 109 (08%) among observations.

Table 4: The most weaknesses of AC in public entities

Weaknesses of Audit committees	Frequency	Percent
Audit committees do not review financial statements	342	25.1
No required meetings as per Acts	232	17
No Annual Audit Committee reports	150	11
Lack of independence in executing their duties	109	8
Lack of evaluation of audit committee performances	109	8

Source: Author computation (2022)

The descriptive results from Table 5 below showed the weakness of audit committees among public entities categorically. It was revealed from the descriptive results that most of the weaknesses rely on Public BICA compared to HLIs and LGAs. The results indicate that audit committees from Public BICA do not discuss crucial aspects such as internal audit reports, internal control system and management information system compared to HLIs and LGAs audit committees. Likewise, the other deficiencies that were found to appear most in Public BICA are the unavailability of audit committees (98%), the improper composition of the audit committee (90%), and lack of technical advice to accounting officers (75%). On the contrary, these results have a low percentage in HLIs with 2%, 10%, 0% and LGAs with 0%, 0%, 25% on the unavailability of AC, the improper structure of the audit committee and lack of technical advice to accounting officers respectively.

Besides, the descriptive results showed that audit committees from RS and LGAs had a problem of not reviewing the annual audit plans by 85%, they didn't prepare annual audit committee reports (72.7%), they didn't meet as required by law (59.9%), they don't review financial

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statement (58.8%) and CAG reports (51%), and they don't have training (49%). These results had a higher percentage compared to HLIs and Public BICA.

Table 5: Weaknesses observed by the public entities in Percentages

Weakness	Public entities			Total (%)
	Public BICA.	HLIs	RS and LGAs	
No required meetings as per Acts	31.9	8.2	59.9	100
Audit committees do not review Financial Statements	31.9	9.4	58.8	100
No Annual Audit Committee reports	20.0	7.3	72.7	100
Audit committees do not review the Annual audit plan	13.4	1.5	85.1	100
No discussion of the Internal Auditors Reports	94.9	0.0	5.1	100
No review and discussion of the CAG Report	49.0	0.0	51.0	100
No trainings for Audit Committee	31.4	19.6	49.0	100
No discussion on the area of internal control system	91.2	4.4	4.4	100
No discussion on management information system	96.0	2.0	2.0	100
Lack of independence in executing their duties	53.2	45.0	1.8	100
Lack of evaluation of audit committee performances	68.8	30.3	0.9	100
No mechanism to hold the audit committees responsible	54.1	45.9	0.0	100
No Audit Committee established	98.0	2.0	0.0	100
Committees do not advice the Accounting Officer	75.0	0.0	25.0	100
Improper composition of the audit committee	90.0	10.0	0.0	100
Total	46.3	13.2	40.5	100

Note: Public B.I.C.A. = Public boards, institutions, corporations and agencies, R.S. =Regional secretariat, L.G.A.s = Local government Authorities, HLIs= Higher learning Institutions

Source: Author computation (2022)

Correlation Result

It is indicated in Table 6 that the coefficient between the two variables is -0.170. [Tabachnick & Fidell \(1996\)](#) and [Bordens & Abbott \(2011\)](#) guided that a correlation coefficient below 0.9 indicates no multicollinearity between variables. Therefore, it is concluded that the independent variables are lower correlated. This allows testing the hypotheses to examine the influence of each variable on FRM.

Table 6: Correlation matrix

Variables	Description	1	2
Type of Audit Opinion (1)	Pearson Correlation	1	-.170**
	Sig.		.000
Weakness of Audit Committees (2)	Pearson Correlation	-.170**	1
	Sig.	.000	

Source: Author computation (2022)

Hausman Test Result

From the guidance of [Hausman \(1978\)](#), the fixed-effect model was a suitable model to use since Prob>Chi² is 0.0000 lower than 5 per cent, as specified in Table 7.

Table 7: Hausman test summary

Variables	Coefficients			
	(b) Fixed	(B) Random	(b-B) Difference	Sqrt. (diag(V _b -V _B)) S.E
Type of Audit Opinion	-.1223	-.0661	-.0562	.0000
AC weaknesses	-.0031	-.0150	.0120	.0010
Prob>chi2 = 0.0000				

Source: Author computation (2022)

Therefore, from this result, the null hypothesis was rejected, meaning random effect was not an appropriate model to use. In addition, errors connected with each entity are unique, unsystematic and random, and show no correlation with FRM ([Mwenda et al., 2021](#)).

Hypotheses Testing Results

This study had two hypotheses derived from EAR and AC. The EAR and AC are regressed to show the relationship between them with FRM. A fixed-effect technique is used in the analysis, and the outcomes are well presented in Table 8. The model results show that it is significant at 5%, and the R² is 0.21.

Table 8: EAO and AC on FRM

Variables	Estimates on FRM	SE	P-values
EAO	0.1223	0.0402	0.0020
AC weaknesses	-0.0031	0.0043	0.479
Constant	2.3407	0.0540	0.0000
Fixed Effect Regression:			
Number of observations	1362	Observations per group:	
Number of groups	230	Min	5.0
Group variable: Public entities		Avg	6.0
R-sq		Max	6.0
Within	0.0085	Prob>F	0.0080
Between	0.0538		
Overall	0.2100		

Source: Author computation (2022)

The first hypothesis (H1) posited that there is a positive influence of EAO on FRM. The result of this hypothesis specifies that the coefficient is 0.1223 and the p-value is 0.0020, implying that the H1 is accepted and, therefore, the EAO issued in public entities is positively influencing FRM and statistically significant. The results indicate that the better the EAO, the better resource management. In another way, when a clean audit opinion is issued, the public entity manages well financial resources. It means that the entity efficiently minimizes expenses over-collected revenues, has no problem paying its debts and uses assets to generate revenue.

On the other hand, hypothesis two (H2) posited a significant relationship between audit committees and financial resource management. The results displayed that AC weakness is statistically insignificant and negatively related to FRM, meaning that the more the reported deficiencies, the less the management of financial resources. This is evidenced by the negative regression coefficient -0.0031 with p-value=0.479 at 5% significance level.

Discussion

The trend of Audit Opinions

As elaborated in the literature review of this study, an unqualified report is a clean report, which means that the public resources are utilized and managed well, unlike other remaining audit opinions. From this point of view, results on the trend of audit opinions imply that, on average, most of the public entities used well the public resource in the six financial years reviewed. Moreover, public resources were not managed well in some public entities. At the end of the period, CAG reports showed qualified, adverse and disclaimer opinions to show some problems in the management of resources.

These results concurred with that of [\(Mzenzi & Gaspar, 2015\)](#), who discovered that unqualified opinions in public entities in Tanzania are increasing. Similarly, the number of qualified, adverse and disclaimer opinions is decreasing year by year. Thus, using the nature of audit opinions as a sign of efficient use of public resources, the results generally suggested that there is an improvement. However, the reports reviewed indicated that some public entities in our sample had a repetitive emphasis on matters to take action on to improve the management of resources. These matters emphasized by CAG were not related to the fairness and truthness of respective public entities' final accounts, thus why the audit report ended up being clean. In fact, this appeared in other countries; for instance, [Baldacchino et al. \(2014\)](#) in Malta and [\(Ngoepe & Ngulube, 2013\)](#) revealed that the decreasing percentage of qualified opinions in South African government departments is attributed to an increase of unqualified opinions with the emphasis of matter.

The Influence of EAO on FRM.

The second objective examined the influence of EAO on the performance of resource management among public entities. The study generally observed that Public BICA is leading in obtaining unqualified opinions. This implies that Public BICA in Tanzania are better at managing financial resources than RS, LGAs and HLIs. Moreover, the results show a problem with using and managing public resources, specifically in RS and LGAs. This is because RS and LGAs got a huge number of qualified opinions of 153 (83.2%) out of 184 (100%) of the qualified opinions from the audit reports reviewed in this study. The reason for these results is posited by [Istrate \(2018\)](#) to be a large number of functions that these RS and LGAs are given by law. This study by [Istrate \(2018\)](#) pointed out that qualified opinion is the most issued opinion in Romania municipalities. The main bases for such opinion are non-observance of accounting principles and improper management of assets [\(Maldonado et al., 2019\)](#). This needs a large number of qualified human resources, financial and physical resources which in most of the causes for such opinions the RS and LGAs in 2014/15 to 2019/20 was a problem. Furthermore, these results align with

the RDT used in this study, which posits that public entities, like any other entities, need financial resources, physical resources, and human resources for their survival, resulting in effective and efficient managing of resources (Daft, 2001).

Conversely, the first hypothesis (H1) results revealed that EAO positively influences and is statistically significant to FRM. The results from Handoko et al. (2020) showed the same results that there is a positive effect of the audit report on resource management in public entities. Another study by Zhiwei et al (2011) assessed the relationship between modified audit opinions and economic consequences. This study's results align with mine in that it suggests that the modified opinions indicate the economic constraints in the organization.

The Relationship between AC and FRM.

In assessing the extent of the weakness of the audit committees among public entities, the descriptive results above show that most of the weaknesses are from the audit committees of Public BICA and RS/LGAs. This interprets that, on average, the audit committees in these entities are weak; therefore, they do not contribute to the effective managing of public resources as expected and indicated by laws compared to HLIs, which showed a very small percentage of weaknesses. This is to say, in general, that HLIs manage their financial resources well due to effective audit committees. These results contrast with the study of Braunstein & Welch (2002) who show that public BICA are in the front line in managing their resources well compared to any other entities in the public services. This appeared to be true even in the current work of Thomas & Purcell (2019), which revealed that audit committees in LGAs are effective. This is because a huge number of resources are inverted into them. However, the idea of these results that HLIs have effective AC is in line with that of Soobaroyen (2014), who used the same descriptive analysis method to show the effectiveness of AC in higher learning institutions. His study finds well-composed functioned ACs and, therefore, a positive relationship between audit committees with effective management of resources.

Moreover, the study by Abdallah (2013) shows the same results that audit committees in LGAs have many weaknesses, such as few meetings in a financial year, no review of the annual audit plan and no audit reports. Soobaroyen (2014) notes that there is effective and efficient resource management in HLIs because, in most cases, members of audit committees are well educated, know their duties indicated in the laws and have everything necessary to be members of the committees. That is why even the results of this study indicate that audit committees in HLIs effectively discuss internal audit reports and CAG reports. Most importantly, they advise accounting officers on technical issues that will make the institution manage the resource well as perform well financially. Regarding Resource Dependency Theory, the results suggest a strong relationship with the theory. It is conceptualized from the results that AC, which contains human resources, are not independent. Therefore, they need other resources like a financial and physical resources like computers to execute their duties (Uygun, 2017). Further, they depend on the external environment, which in our case is external audits and CAG reports (Masud et al., 2018). So, if all these resources are available in AC, the public money in public entities will be effectively and efficiently managed.

By combining descriptive results with the results from hypothesis two (H2) of this study which stated that there is a substantial association between AC weakness and FRM, the result shows that AC weakness is statistically insignificant and negatively related to FRM. This was also found in the earlier study by [Thomas & Purcell \(2019\)](#), who revealed that the AC with few weaknesses influences the effective management of financial resources in local government authorities. Moreover, the results of [Soobaroyen \(2014\)](#) were on effective AC in higher learning institutions; therefore, there is a positive influence on efficient resource management.

CONCLUSION

This study intended to examine the trend of the audit opinions, examine the influence of external audit opinions on financial resource management and determine the extent to which audit committees influence financial resource management in government entities by assessing the weakness of audit committees in the public entities. This study generally found that unqualified audit reports occurred most among public entities. Also, most AC weaknesses appeared in LGAs. Moreover, the hypotheses results indicate the significant positive influence of audit opinion on FRM. On the other side, AC weakness has a negative relationship with FRM. The findings imply that the government entities with modified opinions have lousy use of financial resources. Also, if AC committees are weak (not effective) then it will lead to poor management of the public fund. This study improves knowledge of the relationship between audit reports, audit committees and resources management in public sector entities.

Furthermore, they may also be useful to some public organs in Tanzania, such as the Parliament, national audit office and public entities. On top of that, the study recommends that the government, especially the President's office, consider recruiting more employees to these LGAs to increase efficiency in managing public resources. This is because LGAs are charged with crucial roles in education, infrastructures, health etc. Furthermore, the Parliament of the united republic of Tanzania should push the local government executive officers to make sure the management of financial resources in these entities is effective and efficient.

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