

**INTERNAL AUDIT FUNCTION AND FINANCIAL PERFORMANCE OF
ORGANIZATIONS IN UGANDA: A CASE STUDY
OF NSSF-HEADOFFICE KAMPALA**

BY

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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND
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DECLARATION

I, **AKOTH RECHEAL**, declare that this research report is my original work and has never been presented to any other university for award of any academic certificate or anything similar to such. I solemnly bear and stand to correct any inconsistency.

Signature

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.....*25.05.2017*.....

APPROVAL

This research report has been done under my supervision and submitted to the college of Economics and Management with my approval as a supervisor.

Supervisor: Dr Kirabo Joseph Kyeyune Bounty

Signature.....

Date.....25.05.2017

DEDICATION

To start with, my appreciation goes to the almighty God who is always and should be put as the first priority in all we do.

I humbly dedicate this report to my dear family, friends and relatives, my parents Mr. and Mrs. Othieno, my brothers Samuel, Marvin, Gideon, Henry, Emmanuel and Jonathan who have been supportive both financially and morally. May God bless the works of their hands and reward them abundantly.

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LIST OF ABBREVIATIONS

NSSF:	National Social Security Fund
CPA:	Certified Public Accountant
ROA:	Return on Assets
CG:	Corporate governance
AC:	Audit Committee

ABSTRACT

The study was done on internal Audit function and Financial Performance. The study was carried out at NSSF-head office Kampala. The researcher collected both primary and secondary data, using the survey method and review of the existing literature respectively. Questionnaires were used for data collection. Data obtained from findings indicate that internal audit has several function on the financial performance at NSSF. Some of the roles realized from the study findings include, advising the management for reliability and authenticity in financial reporting, Recommends improvements in controls which reduce internal risks for better financial performance, Assessing compliance with policies and procedures and sound business practices, Helps in investigating occurrences of fraud, embezzlement, theft, and waste within an organization which leads to better financial performance. The study also revealed several challenges limiting the carrying out of independent audits at NSSF. Some of the challenges include Lack of independence, lack of efficient and effective internal audit system, Conflict of interest situations, Lack of professional in reviewing financial statements, biased opinions in reviewing financial statements. The study also revealed a strong relationship between internal audit and financial performance. It was revealed that internal audit is part and partial of the financial performance of any organization working as a watchdog on issues of fraud, embezzlement and checkups in the internal control systems for improved financial performance. It was recommended that it is necessary for the management at NSSF to provide support to the audit department and internal auditors in order to have successful audit reports for better financial performance. Evidence from this research suggests that increasing the capacity and support to the audit department reduces system loopholes for better financial performance. From the findings and conclusions, it is recommended that: A well-established internal audit control system must be created with its staff fully equipped with qualified personnel and resources needed by them to perform effectively. The internal training programmes given to the staff at the internal audit unit in the form of seminars and accounting courses should be continued with. Management should not in any way interfere in the work of the internal auditor, although the internal auditor is employed by management. The co-operation between management and internal audit staff should be maintained and strengthened. Management should always take the recommendations of the internal audit unit into consideration. This may serve as a morale booster to the staff at the unit and cause them to work harder.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter describes the background of the study in terms of historical, theoretical, conceptual, and contextual perspectives. It also describes the research problem, purpose of the study, research objectives, research questions, scope of the study and its significance.

1.1.1. Historical Perspective

For most of its history internal audit has served as a simple administrative procedure comprised mainly of checking documents, counting assets, and reporting to Board of Directors, Management or External Auditors. In recent times, however, a combination of different forces has led to a quiet revolution of the profession. Organizations have to demonstrate accountability in the use of shareholders money and efficiency in the delivery of services. Eighme, Cashell, (2002).

In the world over, there have been concerns about audit quality in the present environment, where severe failures have come to light, for example; Enron scandal of 2001; Parmalat in 2003; Cadbury Nigeria Plc in 2006 and Afribank Nigeria Plc in 2009. Eighme, Cashell, (2002).It has been found that the perceived reliability of audited financial information has declined.

With such recent financial scandals in the U.S. and other countries emphasize the importance of investors' confidence in financial reporting quality and the need for a quality financial report to meet expectations of current and potential investors. Regulations have an important role, in that weak regulations could reduce the governance quality and financial reporting quality, resulting in poor market efficiency (Goodwin, 2001).

Studies on corporate governance (CG) in recent years have focused their attention to the role of maintaining the transparency and accountability of financial reporting. For example, introducing new acts of corporate governance to improve financial reporting quality. Cohen et al., (2008) and the improvement of quality of internal audit function. Goodwin, J., Yeo, T.Y. (2001).In addition, researchers have documented an association between weak governance (such as the lack

independence of the board, the lower quality of audit committee (AC), and the absence of an IAF) and the link to financial crises Beasley et al., (2000); Dechow et al., (1996).

According to Whittington and Pany (1995), originally, a demand for internal auditing arose when managers of early large corporations recognized that annual audits of financial statements, by Certified Public Accountant (CPA) were not sufficient. A need existed for timely employee involvement beyond that of the CPA to ensure accurate and timely financial records and to prevent fraud. Subsequently, the role of internal auditors expanded as a result of demands by the major stock exchanges and the Securities and Exchange Commission for more management responsibilities for the reliability of published financial statement operational policies and procedures. As organizations became larger and more complex, they encountered additional operational problems that lent themselves to solution by internal auditing. The extension of internal auditing into operational activities requires internal auditors to have specialized knowledge in other disciplines such as Economics, Law, Finance, Statistics Computer Processing, Engineering and Taxation.

Technological advancement makes it possible to track and analyze data with continually increasing speed thus making it essential for organizations to be well advised by the internal audit department. Internal audit varies from one organization to another, and making change to modern internal audit can be a substantial undertaking. The transition from merely ensuring compliance with rules and regulations to truly delivering added value requires more than just organizational changes. Ramamoorti, (2003). Internal auditing has evolved to meet the needs of business and government and non-profit organizations.

In Uganda today Internal Audit has become an indispensable management tool for achieving effective control in both public and private organizations. Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an enterprise for the purpose of seeing that enterprise objectives are met. By detecting weaknesses in management operations, Internal Auditing provides a basis for correcting deficiencies that have eluded the first line of defense before these deficiencies become uncontrollable or are exposed in the external auditor's report. Mahzan & Binti Hassan, (2015). Organizations now demand great competency and professionalism from internal audit, and scarce resources must be deployed more efficiently to minimize and manage risks.

1.1.2. Theoretical Perspective

Agency theory and the internal audit as propounded by Adams (1994) is one of the theoretical framework that will guide this study. Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors and financial consultants Eighme, Cashell,. (2002).

According to Anderson, Francis & Stokes (1993), Agency theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents. In order to harmonize the interest of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal; they further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent.

Adams argued that, agency theory also provides a useful theoretical framework for the study of internal auditing function. He also proposed that agency theory not only helps to explain and predict the existence of internal audit but that is also helps to explain the role and responsibilities assigned to internal auditors by the organization and that agency theory predicts how the internal audit function is likely to be affected by organizational change Goodwin, (2001).

He concludes that agency theory provides a basis for rich research, which can benefit both the academic community and internal auditing profession. This theory no doubt relates to this study as it helps to explain the role and responsibilities of internal auditors which if methodically applied would help to improve financial performance at NSSF.

Other related reviews include the Sarbanes-Oxley act of 2002 (SOX) which requires companies to report on the effectiveness as part of an overall effort to reduce fraud and restore integrity to the financial reporting process.

1.1.3 Conceptual Perspective

The Board of Directors of the Institute of Internal Auditors described internal audit as an independent, material and consultancy activity, which adds value and improves the functioning of an organization.

According to Pickett (1976) internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is an objective and independent appraisal service within an organization on risk management, control and governance by measuring and evaluating their effectiveness in achieving the organization's agreed objectives.

Financial performance is the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms Carcello, Hermanson, and Raghunaandan (2005).

1.1.4 Contextual perspective

Achieving quality financial reporting depends on the role that the external audit plays in supporting the quality of financial reporting of quoted companies. It is an important part of the regulatory and supervisory infrastructure and thus an activity of significant public interest. Audit quality is one of the most important issues in audit practice today. Goodwin, (2003).

According to Beyanga (2011), an effective internal audit service can, in particular, help reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses from inadequately safeguarded company assets all of which can have a significant effect on the financial performance of an organization. He also stated that internal audit is an invaluable tool of management for improving performance.

As organizations pursuing objectives in an economic environment, the company is the meeting place of a wide range of stakeholders interested in its performance. They can be the directors of the company as shareholders and other third parties. Internal audit is a method of controlling which allows different business partners such as shareholders, personnel, financial institutions the state to ensure the quality and reliability of the information provided (Saud, 2012).

Internal audit makes a large contribution to the achievement of company goals, and the implementation of strategies for their achievement. Ljubisavljević & Jovanovi, (2011). In addition, the internal audit function is responsible for reinforcing management and audit committee. Hutchinson & Zain, (2009). Likewise, internal audit determines the reliability, reality, and integrity of financial and operational information that comes from different organizational units, on which appropriate business decisions at all levels of management are based. Successful implementation of internal audit tasks means that it must be independent, i.e., company management should in no way influenced by its work, information, conclusions, and evaluations. In this way the internal audit report becomes a means of communication between internal audit and management, and an important guideline for the successful management of the company. Ljubisavljević & Jovanovi, (2011).

The financial and corporate strategy of a company is underpinned by effective internal systems in which the internal audit has an important role in raising the reliability of the internal control system, improving the process of risk management and above all, satisfying the needs of internal users. The internal audit support enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders. Eighme & Cashell, (2002). Taken together, the internal audit department provides a reliable, objective, and neutral service to the management, board of directors, and audit committee, while stakeholders are interested in return on investments, sustainable growth, strong leadership, and reliable reporting on the financial performance and business practices of a company. Ljubisavljević & Jovanovi, (2011).

1.2 Statement of the problem

Recent corruption and financial scandals at National social security fund have always led to greater public outcry for transparency and honesty in reporting and internal audit systems. Several anomalies such as fraudulent activities, Irregularities in operations, Noncompliance to rules and regulations have always been identified in the system at national social security fund (report of the auditor general on the financial statements of the national social security fund for the year ended 30 June, 2015). This therefore means that there so much weaknesses in evaluating and improving the effectiveness of risk management, control and governance processes. This has increased the public demand for change. However there has been laxity in implementation of

internal audit findings and recommendations. This research proposal therefore seeks to examine the effects internal audit function and financial performance at National Social Security Fund.

1.3 Purpose of the study

The overall purpose of the study is to examine the role internal audit function and financial performance at National Social Security Fund.

1.4 General Objective

The general objective of the study was to examine the effects internal audit function and financial performance at National Social Security Fund.

1.4.1 Specific Objectives

- i. To examine the role internal audit function and financial performance at National Social Security Fund.
- ii. To identify the challenges limiting the carrying out of independent audits at National Social Security Fund.
- iii. To determine the relationship between internal audit function and financial performance at National Social Security Fund.

1.5 Research Questions

- i. What are the roles of internal audit function and financial performance at National Social Security Fund?
- ii. What are the challenges limiting the carrying out of independent audits at National Social Security Fund?
- iii. What is the relationship between internal audit function and financial performance at National Social Security Fund?

1.6 Scope of the Study

1.6.1 Geographical scope.

The study was conducted at National Social Security Fund, Head office.

1.6.2 Content scope

The study aimed at examining the effects internal audit function and financial performance at National Social Security Fund.

1.6.3 Time Scope

The study was carried out for a period of two months from March to May 2017.

1.7 Significance of the Study

The research will help other researchers to obtain more information on the available literature for further studies.

The management of National Social Security Fund will be able to look for ways of making Internal Audit a completely independent function from the management thus making it more effective.

By implementing recommendations given on the internal audit reports management will be able to enhance performance of the branch

1.8 Conceptual Framework

Independent variables

Internal Audit Function

Independence and objectivity
Audit committee
Control environment
Fraud deterrence
Assurance & consulting activities

Dependent variables

Financial Performance

Profitability
Organisational growth and expansion
Good and prudent keeping accounts
Correction fault operation
Assurance and credibility before the public

Adapted from: The international standards for the professional practice of internal auditing (the standards, 2016)

In this conceptual frame work, it is assumed that if organizations put in place mechanisms such as Independence and objectivity, Audit committee, Control environment, Fraud deterrence Assurance & consulting activities as independent variables it leads to Profitability, Organisational growth and expansion, Good and prudent keeping accounts, Correction fault operation, Assurance and credibility before the public as indicators of financial performance which are seen as Dependent Variables.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the different literatures as given by different Authors as from similar different concept places. It is from studies and observations made by other scholars with more concrete understanding of the study.

2.1 The concept of internal audit Function

Internal audit is a long-standing function and an effective tool of management in many organizations. According to Okezie, (2004) internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

Taylor and Glezen, (1994), defined internal auditing as 'an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization.

According to Okai, (1996), Millichamp (1993) and ACCA (1992), internal auditing is an independent appraisal activity within an organization for the review of operations as a service to management. Millichamp (1993) continued that internal audit objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic and efficient use of resources.

According to Flint (1988), audit is a social phenomenon which serves no purpose or value except of its practical usefulness and its existence is wholly utilitarian. Flint (1988) further explains, the audit function has evolved in response to a perceived need of individuals or groups in society who seek information or reassurance about the conduct or performance of others in which they have an acknowledged and legitimate interest. Flint (1998) argues that audit exists because interested individuals or groups are unable for one or more reasons to obtain for themselves the information or reassurance they require. Hence, an audit function can be observed as a means of social control because it serves as a mechanism to monitor conduct and performance, and to secure or enforce accountability.

The scope of internal auditing within an organization is broad and may involve topics such as an organization's governance, risk management and management controls over: efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting, and compliance with laws and regulations. Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals, and conducting post investigation fraud audits to identify control breakdowns and establish financial loss. Goodwin, (2001).

Internal auditors are not responsible for the execution of company activities; they advise management and the Board of Directors (or similar oversight body) regarding how to better execute their responsibilities. As a result of their broad scope of involvement, internal auditors may have a variety of higher educational and professional backgrounds. A company's accounting control practices (such as internal auditing) is widely believed to be crucial to the success of an enterprise as it acts as a powerful control system on the possible deviations from the predetermined objectives and policies.

2.2 Essential elements of Internal Auditing

AACA (1992) and Millichamp (1993), emphasized on essential elements of internal auditing which include the following:

Independence

The internal auditor should have the independence in terms of organizational status and personal objectivity, which permits the proper performance of his duties. The internal auditor should not be influenced or controlled in any way.

Staffing and training

The internal audit should be appropriately staffed in terms of numbers, grades qualifications and experience having regard to its responsibilities and objectives.

Relationship

Internal auditor should seek foster constructive working relationships and mutual understanding with management, with external auditors, with any other review agencies and where one exists, with the audit committee.

Reporting and follow-up:

The internal auditor should ensure that findings, conclusions and recommendations arising from each internal audit assignment are communicated promptly and accurately to the appropriate management level. The internal auditor must produce a comprehensive report on regular basis and give recommendations for changes

Due care

The internal auditor cannot be expected to give total assurance that control weakness do not exist, but he should exercise due care unfulfilling his responsibilities.

Evidence

The internal auditor should obtain sufficient, relevant and reliable evidence on which to base reasonable conclusions and recommendations.

Planning, controlling and recording

The internal auditor should adequately plan, control and record his work. As part of the planning process, the internal auditor should identify the whole range of systems within the organization.

Evaluation of internal control system:

The internal auditor should identify and evaluate the organizations internal control system as a basis of reporting upon its adequacy and effectiveness.

Management of organization normally establishes measures internally in order to carry on the activities of an enterprise effectively. These measures are often referred to as internal control. According to Whittington and Pany, (1995), internal control; is defined as “the individual component of the whole system of controls, financial and otherwise established by management

in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard assets and secure as far as possible the completeness and accuracy of the records.

Mill champ (1993) gave the same definition as Whittington and Pany (1995) and added that system of procedures established to produce reliable records is termed the internal control system and this is the basis of all audit work.

2.3 Determinants of Internal Audit

Internal Audit Standards

Glazer and Jaenike (1980) argued that performing auditing work according to internal auditing standards contributes significantly to the effectiveness of auditing. Ridley and D'Silva (1997) found in the UK that complying with professional standards is the most important contributor to IA's added value.

Standards for audits and audit-related services are published by the IIA (2008) and include attribute, performance and implementation standards. In general, formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports. They require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach.

This is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgment is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Bou-Raad 2000). It can thus be argued that greater quality of IA work – understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution – will improve the audit's effectiveness.

Independence of Internal Audit

According to Cai Chun (1997) Independence is the essence of auditing. An internal auditor must be independent of both the personnel and operational activities of an organization. Otherwise, the integrity of the auditor's opinions, conclusions and recommendations would be suspect. So, independence is necessary for the effective achievement of the function and objective of internal audit. This independence is obtained mainly from two characteristics – organizational status and objectivity.

Mgr Lon Bogdan Dumitrescu in his article of internal audit in organizations (2004) acknowledges that every organization should have an internal audit department on which – with regard to the volume and nature of its activities – it can rely. In smaller organizations internal audit is often provided externally. The internal audit department in an organization institution must be independent from the activities which it controls and must likewise be independent from the day-to-day internal control processes. In this way it is guaranteed that this department performs its activities objectively and impartially. Internal auditors may not have a conflict of interests with the organization. Every organization should have formalized principles of internal audit providing for its position and powers in the framework of the organization. There should here be codified the scope of work of internal auditors, the position of the whole department in the organizational structure, relations with other control departments.

Internal audit must be objective and impartial, meaning that it should perform its activity free of doubts and interference. Members of the internal audit team may not participate in the organization's operations or in the selection and implementation of internal control systems. The professional competence, as well as internal motivation and systematic professional development of each internal auditor are essential factors for the correct functioning of the whole internal audit department of the organization.

It is also recommended to rotate individual auditors in the framework of the department, so that the routine performance of work activities is avoided. The internal audit department manager should be responsible that the department performs its activities in accordance with the due principles of internal audit. Especial care should be taken that the audit plan is drawn up formally and procedures for all members of the team are in writing. The professional competence of the department's employees must always be ensured, as must their regular training. The internal

audit department is responsible to the organization's management and its board of directors, possibly also to the audit committee, if the organization has one. These bodies of the organization should primarily be informed as to the progress of the audit plan and the attainment of the internal audit department's objectives.

Professional Competency

Detecting fraud is a challenging task. Perpetrators actively engage in deception in an attempt to conceal their behavior, auditors may have limited experience in fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect. Herz and Schultz, (1999; Kaplan et al., (2010); Nieschwietz et al., (2000). Hence, the organization would be optimally served by identifying and utilizing those individuals who, because they appear to share certain unique personality traits or characteristics, may be best suited to the fraud detection task. For example, Uecker et al. (1981) used perceptions of relative aggressiveness between internal and external auditors to investigate the detection of corporate irregularities.

Internal auditors play an important role in fraud detection with most frauds identified by the internal audit function KPMG, 2003, Norman et al., (2010). Due to the importance of effective fraud detection, any measures that can enhance the efficacy of auditors should be of value. While experience and ability are undeniably important in the detection process, certain individual characteristics may be predictive of the capacity to detect fraud (Ashton, 1999). Understanding how auditors are perceived, and how these perceptions lead to beliefs regarding their detection abilities, is an important first step in relating personality traits to the efficacy of auditors.

2.4 Role of internal audit function

The role of the internal audit function has evolved in reaction to shifts in international corporate practices. Consultation to management and assisting boards of directors to mitigate risk has been emerged as opportunities for Internal Auditors. Goodwin, (2003).

It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and

accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. Professionals called internal auditors are employed by organizations to perform the internal auditing activity. Goodwin, Kent, (2003)

Internal auditing improves organization's operations as it is an independent activity helping a firm achieve its goals by using a well-organized approach to manage their risk, control and governance efficient and effective. Stewart & Subramaniam, (2010) as the ultimate goal of internal audit is achieve better returns for the organization in shape of improved firm performance Saud, (2012).

There is a large contribution of internal audit in achieving business objective Ljubisavljević & Jovanovi, (2011). Additionally reinforcement management and audit committee is the responsibility of internal audit function. Hutchinson & Zain, (2009). Internal audit ensures the reliability and authenticity of financial and operational information that coming from different sub units, on which suitable decision making can be done at all levels. Internal audit has to be independent for being successful that is the management should not be influenced by any action of audit function. The internal audit report serves as a communication tool between the auditors and management as well as a vital parameter for a successful governance of the organization Ljubisavljević & Jovanovi, (2011).

The operations of an organization are developed by efficient internal auditing as financial reports of a firm reflect the attributes of internal audit committee. Furthermore, internal audit plays a vital role in the good governance of an organization. The internal audit function includes monitoring activities taken by the board and audit committee to ensure the credibility of financial reporting. Goodwin, (2001).

Authentic and unbiased service provision is the performed by the internal audit for the management, board of directors and audit committee as the stakeholders are concerned about reliable financial reporting and good governance practices of the corporate. Ljubisavljević & Jovanovi, (2011). The need financial compliance service has created the demand for internal audit function in developed economies for the purpose of providing a number of value added services.

External financial statement users, including current and potential investors, creditors and others need reliable financial information on which to base their resource allocation decisions. When the financiers of organizations have confidence and trust in the audited financial report of an organization, they are bound to pour in more funds into the organization, which in turn results in increased financial performance. Regulators and standard setters can increase the effectiveness of quoted companies by promulgating rules and regulations that help ensure that audits improve financial information quality. Internal financial statement users such as management, audit committees and board of directors have an interest in quality audits, for example; to help reduce the cost of capital. Goodwin, Kent, (2003).

Internal audit can contribute to corporate performance, it can also help employees keep their place in the company the state to consider recovery of taxes, financial institutions take steps to recover their debt, the shareholders or partners should ensure the profitability of their investment. It could help all the actors of the company in every level to make the company get better and themselves in the same way. Goodwin, Kent, (2003).

Financial Performance

Financial performance is the level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms. Carcello, Hermanson, and Raghunaandan (2005).

Financial performance is largely based on product and customer profitability but also on competitiveness. Various ratios including profitability, liquidity and gearing could be computed as the basis to measure returns on investments and performance. Carcello, Hermanson, and Raghunaandan (2005).

Internal audit function and Financial Performance

Ondieki (2013) stated that there are three accounting based performance indicators: return on assets, the return equity and return on investment as they are frequently used to evaluate the firm performance, including financial firms.

Financial analysts use return on assets and return on equity to measure firm performance and predict future trends in the firm's value as well as use as input in statistical models to predict firm future position i.e. failure or success etc Khrawish, (2011). These indicators are also used for several other purposes such as measuring profitability. As firm size is an important moderator in governance and control researches and combines in the variable of ROA as the denominator is the total assets hence it is important to take the measure of firm performance by ROA.

The financial statement audit is a monitoring mechanism that helps reduce information asymmetry and protect the interests of the various stakeholders by providing reasonable assurance that the management's financial statements are free from material misstatements. The societal role of auditors should be a key contribution to financial performance, in terms of reducing the risks of significant misstatements and by ensuring that the financial statements are elaborated according to preset rules and regulations. Lower risks on misstatements increase confidence in capital markets, which in turn lowers the cost of capital for firms Heil, (2012); Watts and Zimmerman, (1986).

External financial statement users, including current and potential investors, creditors and others need reliable financial information on which to base their resource allocation decisions. When the financiers of organizations have confidence and trust in the audited financial report of an organization, they are bound to pour in more funds into the organization, which in turn results in increased financial performance. Regulators and standard setters can increase the effectiveness of quoted companies by promulgating rules and regulations that help ensure that audits improve financial information quality. Internal financial statement users such as management, audit committees and board of directors have an interest in quality audits, for example; to help reduce the cost of capital ISB, (2000); Miettinen, (2011).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This chapter explains how the study was conducted by researcher regarding data collection and analysis conducted the study. This chapter includes various methods that were used in collecting data, research design, survey population, data processing and analysis

3.1. Research design

The research was undertaken to examine the effects internal audit function and financial performance at National Social Security Fund. The research was based mainly on both qualitative and quantitative information from questionnaires and interviews. The study design was also mainly descriptive, analytical and explanatory. The data obtained was coded, analyzed, interpreted and conclusions will be drawn from it.

3.2 Study population

The population of the study included the various departments at N.S.S.F such as the accounts department, Customer care department, Audit Department. However from this population the accessible population was 45 responds from the different departments at N.S.S.F head office.

3.3 Sample Size and sampling strategy

Through the use of purposive sampling, the department members were selected to participate in the study so that it could be comprehensive. Therefore, in total 45 respondents were sampled.

Table 3.1: Showing the Sample Distribution for the Study

Selected departments	Sample
Accounts department	12
Audit department	25
Customer care departments	8
Total	45

Source: Source: Field Data, 2017

3.4 Area of the Study

The study was conducted and limited to NSSF Head office. The specific study area was chosen because of their easy accessibility, low costs of the exercise, and the limited time.

3.5 Data collection sources, Methods and Instruments.

3.5.1. Sources of Data

The researcher used mainly two sources of getting data that is primary and secondary source.

Source: Field Data, 2017 was collected through direct interviews with top administrators as well as responses from the self administered questionnaires.

3.5.2 Secondary Data

The researcher used secondary data that was got from research work of other researchers, published books, magazines, newspapers, operating reports, Journals existing within the organization and other written materials. It was on this existing data that the researcher also builds his findings.

3.6 Data collection Methods

3.6.1 Source: Field Data, 2017

This was collected using both questionnaires and interviews. The questionnaire were developed basing on the information needed from the respondents. Both interviews and the questionnaires were done towards the effects internal audit function and financial performance at National Social Security Fund.

3.6.2 Secondary data

This was got from the various records available at National Social Security Fund.

3.7 Data collection Instruments

3.7.1 Questionnaires

The researcher used questionnaires which were sample worded relatively short but comprehensive. Control questions were used to ensure correctness and consistence of respondents.

3.7.2 Interviews

These involved a simple conversation between the researcher and the respondents. Interviews were used because they are the quickest way of data collection and they are more flexible as the researcher was able to explain questions not understood by the respondents.

3.8 Data processing and Analysis.

3.8.1 Data processing

Data from the field was sorted; coded, edited using pie charts frequency tables and percentages. The activities were carried out by the researcher which involved the following.

3.8.2 Editing

The researcher edited the data collected for accuracy and completeness to give meaningful information.

3.8.3 Coding

The researcher coded the pre-coded Questions so that all the answers obtained from different respondents are classified into meaningful information.

3.9 Data Analysis

The data was analyzed qualitatively and quantitatively by use of pie-charts tables, frequencies and percentages so as to reflect the effects internal audit function and financial performance at National Social Security Fund.

3.10 Validity and reliability

3.10.1 Validity

All questions in the questionnaire were formulated to provide a logical link with the objectives and covered a full range of issues that were measured to ensure relevance for purposes of validity of the questionnaire.

3.10.2 Reliability

The Questionnaires were pre-tested in the field and sample results were analyzed to ascertain whether they would elicit the needed data and they were also reviewed by the researcher's supervisors to ensure reliability before being applied in the study.

3.11 Limitations of the study

The researcher faced the following challenges;

Recording, analyzing and findings related to the study were not easy. This is due to poor hand writing by some respondents which delayed the completion of the study. The researcher however dedicated enough time to editing the findings.

Some respondents might were not in position to freely respond to the questions which were asked by the researcher due to a lot fear. The researcher however employed different techniques of asking questions in order to get what was needed of the respondents.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents and analyses the results of the research. The presentation and analysis of results is guided by the research objectives and demographic characteristics of the study population. Therefore the results are a reflection of what it takes to answer the research questions and the characteristics of the respondents to whom the research questions were administered on the topic” internal audit function and financial performance at NSSF.

4.1.1 Response Rate

The research achieved a response rate of 100% percent from the 45 respondents out of the 45 questionnaires that were administered and distributed to the selected respondents of the study. Therefore with this response rate, there is high confidence that the responses received on the study are reliable. Mugenda (1999) as well as Saunders (2007) suggest that a response rate of 50% is adequate when quantitative data is manually collected. Table 4.1 below presents a breakdown of the response rate of the respondents by their categorization.

Table 4.1: Response Rate

Respondents Category	Sample Size	Actual returned	Percentage
All respondents	45	45	100.0%

Source: Source: Field Data, 2017, 2017

Table 4.1 presents the response rate of the responses to which the research instruments were administered. The findings presented show that out of 45 respondents targeted 45 responded giving a response rate of 100.0%. This implies that the response rate was high.

4.1.2 Demographic traits of respondents

This was based on the gender of respondents, gender, and age, level of education, time work of respondents and the position held in the organization. This was intended to attain a detailed understanding of the respondent’s key characteristics influences the result of the study. The

general information has an implication on the study variables. The different demographic characteristics are analyzed and presented in table 4.2;

Table 4.2: Demographic Characteristics of the Respondents

Categories		Frequency	Percentages
Gender	Male	26	57.8
	Female	19	42.2
	Total	45	100.0%
Age	20 – 30	13	28.9
	30 – 40	16	35.6
	40 – 50	11	24.4
	50+	5	11.1
	Total	45	100.0%
Education	Certificate	00	0.0%
	Diploma	5	11.1
	Degree	27	60.0
	Others	13	28.9
	Total	45	100.0%

Period of work	Less than 2 years	5	11.1
	Above 2 years	16	35.6
	Above 5 years	24	53.3
	Total	45	100.0%
Position of Respondents	Administrator	5	11.1
	Internal audit	10	22.2
	Accountant	12	26.7
	Other departments	18	40.0
	Total	45	100.0%

Source: Field Data, 2017

4.1.3 Gender

The study findings on the gender of the respondents reveal that majority of the respondents were male with 26(57.8%) of the respondents, the females were 19(42.2%) of the respondents. The results reveal that though the male dominated the study both genders provided the data, it further imply that the internal audit function is understood on the gender perspective.

4.1.4 Age of respondents

The results further reveal that the age of the respondents were distributed almost equally with the majority of the respondents were in the age of 30-40 with 16(35.6%) of the respondents with those of 50 and above with 5(11.1%) of the respondents, 20-30 were 13(28.9%) of the respondents, those with 30-40 years and were 16(35.6% of the respondents. The results imply that the respondents were also mature enough to provide the data to the respondents.

4.1.5 Education of respondents

The results further provided that respondents had several forms of education, the majority of the respondents were degree holders with the 27(60.0%) of the respondents, those of Diploma were 5(11.1%) of the respondents, certificate had 00(0.0%) of the respondents while other qualifications that included masters and post graduate diploma had 13(28.9%) of the respondents. The results means that educated respondents were consulted for data collection the results can't be doubted on information grounds.

4.1.6 Period of Work

The results on the period of respondents stay and work in the organization. The results reveal that majority respondents had been in NSSF for a period of 5 years and above with 24(53.3%) of the respondents while above 2 years had 16 respondents with 16(35.6%) and less than 2 years 5(11.1%) of the respondents. The results reveal that many respondents have been at NSSF for long so understand the Internal Audit function.

4.1.7 Position of respondents

The results of the respondents position in the organization. The results reveal that respondents were in the categories of administration were 5(11.1%) internal audit 10(22.2%) of the respondents, Accountant were 12(26.7%) of the respondents while the other departments were 18(40.) of the respondents. The results imply that the study took into consideration employees from across the departmental representation.

4.2 The role internal audit function and financial performance at National Social Security Fund.

The first objective of the study was to examine the role of internal audit function and financial performance at National Social Security Fund. This sub chapter presents the data attained from the respondents on the topic of the study. This presentation is a result of the Likert scale measure on a five scale in the organizations. Their responses were analyzed using Microsoft excel Summary statistics as shown below.

4.2.1 Advising the management for reliability and authenticity in financial reporting

Internal audit is always key in advising them, management on the best possible route of action to be taken as per the reliability and authenticity of the financial statements. Below are the study findings at NSSF about internal auditors advising the management.

Table 4.3: Showing advising the management for reliability and authenticity in financial reporting.

Response	Frequency	Percentage
Strongly Agree	30	66.7
Agree	10	22.2
Not sure	3	6.7
Disagree	2	4.4
Strongly Disagree	0	0.0
Total	45	100%

Source .Source: Field Data, 2017

From the data presented in table 4.3, 66.7% of the respondents strongly agree that internal audit function advises the management for reliability and authenticity in financial reporting for decision making. This therefore means that with commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice for continued business progress.

4.2.2. Recommends improvements in controls which reduce internal risks

One of the core functions of the internal audit department is the review of the internal control system and recommends measures for improving such an internal control system. Below are the responses about internal auditors recommending improvements in internal controls at NSSF

Table 4.4: Showing Internal audit Recommends improvements in controls which reduce internal risks

Response	Frequency	Percentage
Strongly Agree	30	66.7
Agree	10	22.2
Not sure	3	6.7
Disagree	2	4.4
Strongly Disagree	0	0.0
Total	45	100%

Source .Source: Field Data, 2017

From the data presented in table 4.4, 66.7% of the respondents strongly agreed that internal audit function internal audit Recommends improvements in controls which reduces internal risks within the system. This helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. It acts as a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes

4.2.3 Assessing compliance with policies and procedures and sound business practices

It's directly known that organizations are run by sound business practices and procedures. Internal auditors are important in assessing and advising the management areas of improvement. Below are responses about assessing compliance with policies and procedures and sound business practices.

Table 4.5: Showing Helps in assessing compliance with policies and procedures and sound business practices.

Response	Frequency	Percentage
Strongly Agree	33	73.4
Agree	9	20.0
Not sure	2	4.4
Disagree	1	2.2
Strongly Disagree	0	0.0
Total	45	100%

Source: Field Data, 2017

From the data presented in table 4.5, 73.4% of the respondents strongly agreed that internal audit function internal audit Helps in assessing compliance with policies and procedures and sound business practices. This ensures the reliability and authenticity of financial and operational information that coming from different sub units, on which suitable decision making can be done at all levels.

4.2.4 Helps in investigating occurrences of fraud, embezzlement, theft, and waste within an organization

One of the basic functions of the audit department is the investigation of occurrences of fraud, theft and waste of funds in an organization. Below are the responses on the respondents.

Table 4.6: Showing helps in investigating occurrences of fraud, embezzlement, theft, and waste within an organization

Response	Frequency	Percentage
Strongly Agree	33	73.4
Agree	9	20.0
Not sure	2	4.4
Disagree	1	2.2
Strongly Disagree	0	0.0
Total	45	100%

Source: Field Data, 2017

From the data presented in table 4.6, 73.4% of the respondents strongly agreed that internal audit function helps in helps in investigating occurrences of fraud, embezzlement, theft, and waste within an organization. This therefore means that the internal audit function includes monitoring activities taken to ensure the credibility of financial reporting. This reduces cases of fraud, embezzlement, theft, and waste within an organization.

4.3: The challenges limiting the carrying out of independent audits at National Social Security Fund

The second objective of the study was to examine the challenges limiting the carrying out of independent audits at National Social Security Fund. The results on the effect was presented and interpreted as showed below.

4.3.1 Lack of independence

About independence the researcher wanted to found out if the opinion of the respondents about the level of independence of the internal auditors at NSSF and the results are as follows:

Table 4.7: Showing Internal audits are not independent at NSSF.

Response	Frequency	Percentage
Strongly Agree	30	66.7
Agree	10	22.2
Not sure	3	6.7
Disagree	2	4.4
Strongly Disagree	0	0.0
Total	45	100%

Source: Field Data, 2017

From the data presented in table 4.7, 66.7% of the respondents strongly agreed that internal auditors at NSSF are not independent. This therefore means that internal auditors do not perform their duties with greater degree of autonomy and independence from management. It should be noted the quality of internal auditors work is expected to ensure the internal auditors have an independent mental attitude to the performance of their work. And also to ensure that internal auditors have an honest belief in their work product and that no significant quality compromise is made.

4.3.2 There is lack of efficient and effective internal audit system

About lack of efficient and effective internal audit system, the researcher wanted to know the level of effectiveness and efficiency of the internal audit system at NSSF and the responses are as follows.

Table 4.8: Showing there is lack of efficient and effective internal audit system

Response	Frequency	Percentage
Strongly Agree	30	66.7
Agree	10	22.2
Not sure	3	6.7
Disagree	2	4.4
Strongly Disagree	0	0.0
Total	45	100%

Source: Field Data, 2017

From the data presented in table 4.8, 66.7% of the respondents strongly agreed that there is lack of an effective and efficient internal audit control system. Lack of an efficient audit control system might be one of the main causes of fraud at NSSF. Such a system is important in guiding the auditors for proper handling of the audit duties.

4.3.3. Conflict of interest situations

The internal auditor being part of the permanent staff team at NSSF always becomes part of the set-up of the organization. Therefore conflict of interest in opinion is likely to come up. Below are the responses on Conflict of interest situations.

Table: 4.9 Showing the opinion on Conflict of interest situations

Response	Frequency	Percentage
Strongly Agree	24	53
Agree	11	25
Not sure	4	9
Disagree	5	11
Strongly Disagree	1	2
Total	45	100%

Source: Field Data, 2017

From the table 4.9, it's evident that 53% of the respondents strongly agree that Auditors face conflict of interest situations in NSSF when carrying out their work. This therefore means that the audit policy that endorses the commitment of internal auditors to abiding by the Code of Ethics, avoiding conflicts of interest, disclosing any activity that could result in a possible conflict of interests is not strongly followed. This therefore reduces the principle of objectivity in reporting to promote more credibility in the financial statements.

4.3.4 Lack of professional in reviewing financial statements

Professionalism is part of the core elements that should at all times be maintained by the internal auditors. Table 4.10 shows the opinions of the respondents about Lack of professional in reviewing financial statements.

Table 4.10 Showing the opinion on Lack of professional in reviewing financial statements

Response	Frequency	Percentage
Strongly Agree	25	56
Agree	10	22
Not sure	4	9
Disagree	5	11
Strongly Disagree	1	2
Total	45	100%

Source: Field Data, 2017

From the table 4.10, 56% of the respondents strongly agree that auditors lack professionalism in reviewing financial statements. It should be noted that internal auditors should exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Therefore for the principle of objectivity to prevail, in reviewing financial statements the auditors must be professional enough.

4.3.5 Biased opinions in reviewing financial statements

The opinion of the internal auditor greatly affects the final report on the credibility of financial statements. Therefore below are the opinions of the respondents about the biased opinions of internal auditors at NSSF.

Table 4.11: Showing the opinion on whether auditors are biased in reviewing financial statements

Response	Frequency	Percentage
Strongly Agree	25	56
Agree	10	22
Not sure	4	9
Disagree	5	11
Strongly Disagree	1	2
Total	45	100%

Source: Field Data, 2017

From the table 4.11, 56% of the respondents strongly agree that auditors are biased in reviewing financial statements. This just confirms it that for objectivity to prevail, the auditors have to strongly avoid being biased as this may result into biased reports which doesn't give a clear view of the financial statements. Therefore the internal auditor should have an impartial, un-biased attitude and avoid conflict of interest situations, as that would prejudice his/her ability to perform the duties objectively.

4.4 The relationship between internal audit function and financial performance at National Social Security Fund

The third objective of the study aimed at determining the relationship between internal audit function and financial performance at National Social Security Fund. This sub chapter presents the data attained from the respondents on the topic of the study.

Table 4.12: Showing responses on the relationship between internal audit function and financial performance at National Social Security Fund.

Response	Frequency	Percentage
Strongly Agree	35	77
Agree	5	11
Not sure	1	2
Disagree	2	5
Strongly Disagree	2	5
Total	45	100%

Source: Field Data, 2017

From the table 4.12, 77% of the respondents strongly agree that there's a strong relationship between internal audit function and financial performance. Indeed internal audit is part and partial of the financial performance of any organization working as a watchdog on issues of fraud, embezzlement and checkups in the internal control systems for improved financial performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of findings, conclusions, recommendations and suggested areas that need further research following the study objectives and study hypothesis.

5.1 Summary of major findings

5.1.1 Summary on the role internal audit function and financial performance at National Social Security Fund.

The research findings revealed that internal audit has several function on the financial performance at NSSF. Some of the roles realized from the study findings include, advising the management for reliability and authenticity in financial reporting, Recommends improvements in controls which reduce internal risks for better financial performance, Assessing compliance with policies and procedures and sound business practices, Helps in investigating occurrences of fraud, embezzlement, theft, and waste within an organization which leads to better financial performance.

5.1.2 Summary on the challenges limiting the carrying out of independent audits at National Social Security Fund

The study findings also revealed several challenges limiting the carrying out of independent audits at National Social Security Fund. Some of the challenges include Lack of independence, lack of efficient and effective internal audit system, Conflict of interest situations, Lack of professional in reviewing financial statements, biased opinions in reviewing financial statements.

5.1.3 Summary on the relationship between internal audit function and financial performance at National Social Security Fund

From the research findings majority of the respondents strongly agreed that there's a strong relationship between internal audit function and financial performance. It was revealed that internal audit is part and partial of the financial performance of any organization working as a watchdog on issues of fraud, embezzlement and checkups in the internal control systems for improved financial performance.

5.2 Conclusions

Based on the study findings, it showed that internal audit function has a greater effect on the financial performance of National Social Security Fund. The objectives of the research are fulfilled with the results acceptance. From the study findings, it was revealed that internal audit is considered as the backbone of the business accounting as it is the section that records all businesses related to the sector. The efficiency of internal audit helps develop the work of the company because the financial reports reflect the internal audit department's quality. In addition, an internal audit is considered as a significant part of the Corporate Governance structure in the organization and Corporate Governance covers the activities of oversight by the board of directors and audit committees to ensure credible financial reporting process.

The study also revealed several challenges faced by the internal auditors at NSSF which mainly relate with not following the internal audit standards. From the study findings, the general level of internal audit independence in NSSF is relatively weak and in some cases non-existence.

The quality of internal auditors work is expected to ensure the internal auditors have an independent mental attitude to the performance of their work. And also to ensure that internal auditors have an honest belief in their work product and that no significant quality compromise is made. Therefore strong focus should be centered at raising the internal audit standards such as independence of the internal auditors from the management, Objectivity in reviewing financial statements, integrity in executing duties and accountability in executing duties for better financial management.

The study revealed that internal audit function has a strong relationship with financial performance of NSSF. Changes in financial performance at NSSF could be accounted for by changes in internal audit standards, independence of internal audit, professional competency and internal control. From the study therefore a unit increase in internal audit standards would lead to increase in financial performance of NSSF, a unit increase in independence of internal audit would lead to increase in financial performance of NSSF, a unit increase in professional competency would lead to increase in financial performance of NSSF and further unit increase in internal control would lead to increase in financial performance of NSSF.

5.3 Recommendations

There is no doubt that internal audit contributes tremendously to the financial performance at NSSF. This implies failure to create a strong internal audit system may mean failures in financial performance. Thus, it is necessary for the management at NSSF to provide supports to the audit department and internal auditors in order to have successful audit reports for better financial performance. Evidence from this research suggests that increasing the capacity and support to the audit department reduces system loopholes for better financial performance. From the findings and conclusions, it is recommended that:

A well-established internal audit control system must be created to reduce on internal risks for better financial performance. This control system should be designed in a way that it can detect fraud and embezzlement hence increase in the financial performance.

There should be a great deal of independence in the internal auditor's work. Management should not in any way interfere in the work of the internal auditor; although the internal audit staff is employed by management, they should have an independent mental attitude to perform their work. This will increase their morale and honesty in doing their work hence better financial management.

The co-operation between management and internal audit staff should be maintained and strengthened. Great focus should be centered at raising internal audit standards such as independence of internal auditors from management, objectivity in reviewing financial statements, integrity in executing duties and accountability in executing duties for better financial management.

The internal training programmes given to the staff at the internal audit unit in the form of seminars and accounting courses should be continued with. However, the seminars given to the staff at the unit could be conducted at least twice a year. This will help promote more effective internal auditing to the benefit of NSSF.

Management should always take the recommendations of the internal audit unit into consideration. This may serve as a morale booster to the staff at the unit and cause them to work harder to improve on financial performance.

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APPENDIX I: QUESTIONNAIRE TO THE RESPONDENTS

Dear respondent, I am a student of Kampala International University, investigating internal audit function and financial performance at NSSF Head office. Therefore, I wish to request you kindly to spare some time and answer the questions below as honestly as possible by ticking or filling in the spaces provided. The information given will be purely for educational purposes and will be treated confidentially.

Kindly tick what is more appropriate to you

Section A: Demographics of respondents (Pick the appropriate response)

1. Gender

1) Male ☐

2) Female ☐

2. Highest level of qualification

1) Certificate ☐

2) Diploma ☐

3) Degree ☐

4) others ☐

3. Age

a) 20 - 30 ☐

b) 30 – 40 ☐

c) 40 – 50 ☐

d) 50+ ☐

4. How long have you worked in this organization

1) Less than 2 years

2) Above 2 years

3) Above 5 years

5. Position held in the organization

1) Administrator

2) Accountant

3) Customer consultant

4) Internal Auditor

The use of Likert scale were 1= strongly disagree, 2= Disagree, 3= Not sure 4= Agree,

5= Strongly Agree.

Direction: please tick the column corresponding rating that best describes your response using the guide below

Score	Mode of Response	Description
5	Strongly agree	You agree with no doubt
4	Agree	You agree with some doubt
3	Not Sure	You are doubtful
2	Disagree	You disagree with some doubt
1	Strongly disagree	You disagree with no doubt

SECTION B: The role internal Audit Function and Financial Performance at National Social Security Fund.

		Rankings				
	Response	1	2	3	4	5
1	Advising the management for reliability and authenticity in financial reporting.					
2	Internal audit Recommends improvements in controls which reduces internal risks					
3	Helps in assessing compliance with policies and procedures and sound business practices.					
4	Helps in Investigating occurrences of fraud, embezzlement, theft, waste					
	Others, specify.....					

Section C: the challenges limiting the carrying out of independent audits at National Social Security Fund

RANK. 1= strongly Disagree, 2= Disagree, 3= Not sure, 4=Agree, 5= strongly Agree.

		Rankings				
	Response	1	2	3	4	5
1	Internal auditing in NSSF is not done on the timely basis.					
2	Internal audits are not independent at NSSF.					
3	There is lack of efficiency in internal audits done at NSSF.					
5	Internal audit reports are not handled in the timely manner effective for improved performance					
6	There's interference in the work of internal auditors at NSSF.					
7	Recommendations made by internal auditors are not implemented by the management					
	Others, specify.....					

SECTION D: The relationship between internal audit function and internal audit function and financial performance

13. Is there a relationship between internal auditing and Financial Performance?

Strongly Disagree	Disagree	Not sure	Agree	Strongly agree

Thank you for your valuable Time

APPENDIX II: ACTIVITY CHART

Activity	Time in Months			
	1	2	3	4
Proposal writing				
Data collection				
Data analysis				
Submission				

APPENDIX III: BUDGET

Item	Amount (Ug. Shs)
Stationery – Papers & Pens	50,000/=
Transport and Phone calls	200,000/=
Internet usage	30,000/=
Typing and printing	50,000/=
Miscellaneous	200,000/=
Total	530,000/=

APPENDIX IV

INTRODUCTORY LETTER



**KAMPALA
INTERNATIONAL
UNIVERSITY**

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E-mail: mugumetm@gmail.com,
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**COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE**

APRIL, 7th 2017

To whom it may concern

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR AKOTH RECHEAL, REG NO.
BBA/44862/143/DU**

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you to avail her with all the necessary assistance regarding her research.

**Topic: - INTERNAL AUDIT FUNCTION AND FINANCIAL
PERFORMANCE OF ORGANISATIONS IN UGANDA**

Case Study: - NATIONAL SOCIAL SECURITY FUND.

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

**Dr. KIRABO KYEYUNE BOUNTY JOSEPH
HOD – ACCOUNTING & FINANCE
0772323344**

